



# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
DAVID F. CARGO  
CHAIRMAN  
LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER  
STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

April 1, 1969

Mr. Jack Cooley  
Burr & Cooley  
Attorneys at Law  
152 Petroleum Center Building  
Farmington, New Mexico

Re: Case No. 4075  
Order No. R-3610-A  
Applicant:  
Benson-Montin-Greer

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC   x  

Artesia OCC           

Aztec OCC   x  

Other           Unit Division - State Land Office

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

January 30, 1969

*Case 4075*

**Mr. Albert R. Greer, President  
Benson-Montin-Greer Drilling Corporation  
221 Petroleum Center Building  
Farmington, New Mexico 87401**

**DOCKET MAILED**

**Date**

*2-20-69*

**Re: Proposed Modification of the  
La Plata Mancos Unit Agreement**

**Dear Al:**

I am enclosing a copy of Order No. R-1384 which established a procedure whereby amendments to unit agreements may be approved administratively. It appears that the section I have marked in red would apply to the subject case. If that section cannot be complied with, it will be necessary to set the matter for hearing.

Very truly yours,

**GEORGE M. HATCH  
Attorney**

G  
M  
H  
/  
ir

Enclosure





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
WASHINGTON, D.C. 20242

JAN 17 1969

Benson-Montin-Greer Drilling Corporation  
221 Petroleum Center Building  
Farmington, New Mexico 87401

*Case 4075*

Attention: Mr. Albert R. Greer

Gentlemen:

Your letter of December 19, 1968, requests approval to amend Sections 11 and 12 of the La Plata Mancos unit agreement, San Juan County, New Mexico. The La Plata Mancos unit area was designated by Survey letter of July 11, 1968, but the agreement has not been filed for final approval.

The proposed amendment provides that lands necessary for unit operations may be brought into the participating area on a negotiated basis. You advise that unit well No. N-31 has been completed in the gas cap of the Niobrara reservoir but has been shut in to prevent dissipation of reservoir energy with the resulting loss in recoverable oil. Such well is to be used for gas injection to maintain reservoir pressure and increase ultimate recovery within the unit area.

A duly executed agreement identical to that approved as to form by Survey letter of July 11, 1968, but containing the modifications to Sections 11 and 12 shown on the attached copy of a portion of the unit agreement form will be acceptable when filed for final approval.

Sincerely yours,

*William A. Baker*

Acting Director

Case 4075

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

8 11. PARTICIPATION AFTER DISCOVERY. 8

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

1 or deposit, effective as of such date as may be approved by the 1  
2 Supervisor and the Land Commissioner. The participating area or 2  
3 areas so established shall be revised from time to time, subject 3  
4 to like approval, whenever such action appears proper as a result 4  
5 of further drilling operations or otherwise, to include additional 5  
6 land then regarded as reasonably proved to be productive in paying 6  
7 quantities or necessary for unit operations, or to exclude land 7  
8 then regarded as reasonably proved not to be productive in paying 8  
9 quantities or necessary for unit operations, and the percentage 9  
0 of allocation shall also be revised accordingly. The effective 10  
1 date of any revision shall be the first of the month in which is 11  
2 obtained the knowledge or information in which such revision is 12  
3 predicated; provided, however, that a more appropriate effective 13  
4 date may be used if justified by the Unit Operator and approved by 14  
5 the Supervisor and the Land Commissioner. No land shall be 15  
6 excluded from a participating area on account of depletion of the 16  
7 unitized substances. 17

8 It is the intent of this section that a participating area 18  
9 shall represent the area known or reasonably estimated to be 19  
0 productive in paying quantities or necessary for unit operations in 20  
1 a specific pool or deposit; but, regardless of any revision of the 21  
2 participating area, nothing herein contained shall be construed as 22  
3 requiring any retroactive adjustment for production obtained prior 23  
4 to the effective date of the revision of the participating area. 24

5 In the absence of agreement at any time between the Unit 25  
6 Operator and the Supervisor and the Land Commissioner as to the 26  
7 proper definition or redefinition of a participating area, or until 27  
8 a participating area has, or areas have, been established as 28  
9 provided herein, the portion of all payments affected thereby may 29  
0 be impounded in a manner mutually acceptable to the owners of 30  
1 working interests, except royalties due the United States and the 31  
2 Ute Mountain Indian Tribe or the State of New Mexico, the amount of 32  
3 which shall be determined by the Supervisor for Federal or Indian

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

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

#### 12. ALLOCATION OF PRODUCTION.

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

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

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