

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF ATLANTIC RICHFIELD COMPANY
FOR APPROVAL OF THE EAST DRINKARD UNIT
AGREEMENT EMBRACING 3,080 ACRES IN TOWNSHIP
21 SOUTH, RANGE 37 EAST, LEA COUNTY, NEW
MEXICO.

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes Atlantic Richfield Company acting by and through the undersigned attorneys and hereby makes application for approval of the East Drinkard Unit Agreement embracing 3,080 acres in Township 21 South, Range 37 East, Lea County, New Mexico, and in support thereof respectfully shows:

1. There is filed herewith in triplicate the proposed Unit Agreement for the Development and Operation of the East Drinkard Unit Area embracing 3,080 acres situated in Township 21 South, Range 37 East, N.M.P.M. of which 1,200 acres, or 38.96% are federal lands, and 1,880 acres, or 61.04%, are fee lands. Said lands are more particularly described as follows:

Township 21 South, Range 37 East, N.M.P.M.

Section 11 - All
Section 12 - $W\frac{1}{2}E\frac{1}{2}$, $W\frac{1}{2}$
Section 13 - $W\frac{1}{2}NE\frac{1}{4}$, $NW\frac{1}{4}SE\frac{1}{4}$, $W\frac{1}{2}$
Section 14 - All
Section 23 - All
Section 24 - $NW\frac{1}{4}$, $W\frac{1}{2}SW\frac{1}{4}$

2. There is attached hereto as Exhibit "A" a plat showing the outlines of the proposed unit area, together with all the wells producing from the Drinkard formation underlying said area. The proposed unit agreement will unitize the Drinkard formation which is described as follows: The stratigraphic interval encountered in the Sinclair Oil Company Roy Barton No. 3 located 1980 feet from the north line and 660 feet from the east line of Section 23, Township 21 South, Range 37 East, Lea County, New Mexico, the top of which is shown on the Wellex Gamma Ray-Neutron log dated August 17, 1963 at the subsurface depth of 6,450 feet and the bottom of which is shown at a subsurface depth of 6,730 feet. That the reservoir within the unit area has been defined by development.

3. Applicant is designated as unit operator in said unit agreement and the primary purpose of the unit is to inaugurate and maintain a unit wide waterflood project through the injection of water into the unitized formation.

4. That the owners of the record title to the respective oil and gas leases covering the tracts comprising the unit area, as well as the owners of royalty and working interests, are shown by Exhibit "B" attached to the proposed unit agreement. That parties who will be required initially to pay more than 75% of the costs of unit operations have agreed to the unit plan, as well as the owners of more than 75% of the production or proceeds thereof that will be credited to interests which are free of cost, such as royalties, overriding royalties and production payments.

5. Applicant is filing with the Oil Conservation Commission simultaneously with this application an application for approval of the East Blinebry Unit, the unit area of which is identical with the proposed unit area for the East Drinkard Unit. The East Blinebry Unit is for the purpose of unitizing the Blinebry formation under the same lands. Applicant is also designated as operator of the East Blinebry Unit and it is proposed that the two units will be operated simultaneously and that the production from the two units may be commingled either in common well bores or surface facilities and for the purpose of allocating working interest and royalty interest production all production from the two units shall be allocated and credited as if 64.544% of the production had been produced from the unitized formation for the East Blinebry Unit and 35.456% had been produced from the unitized formation for the East Drinkard Unit.

6. The wells producing from the Drinkard formation which is to be unitized have reached an advanced stage of depletion and are regarded as what is commonly referred to as "stripper" wells.

7. The form of unit agreement has been approved by the United States Geological Survey. There is also filed with the unit agreement the proposed form of unit operating agreement to be entered into by and between the unit operator and working interest owners, which provides for the manner in which the unit will be supervised and managed and costs allocated and paid. The unit agreement and unit operating agreement provide for allocation to the separately owned tracts in the unit area of unitized substances produced from the unit area which are not used in the conduct of operations on the unit area or not unavoidably lost. The operating agreement also provides for 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. The unit operating agreement also provides how the costs of unit operations,

including capital investments, are to 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 the share of the costs of unit operations charged to such owner, or the interest of such owner, may be sold and the proceeds applied to the payment of such costs.

Section 11.1 of the unit operating agreement provides for carrying any working interest owner with respect to such owner's obligation to pay said party's proportionate costs of drilling any wells which may be necessary, together with an appropriate charge for interest.

The operating agreement also designates applicant as unit operator and provides for the supervision and conduct of unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct unit operations.

The unit operating agreement also contains provision for a 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 its unit participation.

The unit agreement and operating agreement provide for an effective date and termination date and for the settlement of accounts upon termination.

The unit operating agreement also contains adequate additional provisions for carrying on unit operations for the protection of correlative rights and the prevention of waste.

8. The approval of the proposed unit agreement and waterflood project in connection therewith will be in the interest of conservation and the prevention of waste.

9. This application is filed under and pursuant to the "Statutory Unitization Act" (65-14-1 to 65-14-21 New Mexico Statutes Annotated) and is for the purpose of committing to the unit agreement the interests of all persons having interests within the unit area who do not approve the agreement.

10. Applicant requests that this matter be included on the examiner's docket for July 20, 1977.

Respectfully submitted,

ATLANTIC RICHFIELD COMPANY

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