

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
BY THE OIL CONSERVATION  
COMMISSION FOR THE PURPOSE OF  
CONSIDERING THE APPLICATION  
OF ATLANTIC RICHFIELD COMPANY  
FOR STATUTORY UNITIZATION  
BLINEBRY AND DRINKARD PRODUCTION,  
LEA COUNTY, NEW MEXICO:

CASE NOS. 6069 and 6070,  
Order Nos. R-5593 and R-5594

APPLICATION FOR REHEARING

COMES NOW Texaco Inc., by its attorneys, White, Koch  
Kelly & McCarthy, a party to the cases which are the subject  
hereof, and does hereby apply for a rehearing of the decisions  
of the Commission entered on December 27, 1977, and as cause  
therefor respectfully shows the Commission that its order and  
decisions are erroneous in the following respects:

a) The orders fail in every respect to disclose the  
reasoning of the Commission in reaching the ultimate conclu-  
sions numbered 6 through 16 of the orders. The disclosure of  
the basis for the decision of the Commission in its order is  
required by law.

b) As applied to Tract 13 of the proposed unit, there  
is a complete lack of substantial evidence in the record to  
support the findings numbered 6 through 16 in the orders. The  
evidence in fact shows, inter alia, that there is no present  
need for pressure maintenance or secondary recovery methods,  
that both physical and economic waste will result from  
the inclusion of Tract 13 within the proposed unit, and that

*Texaco Unitization Orders only; tract 13 affected*

the correlative rights of Texaco Inc. will be violated, particularly with regard to the loss of the current Tubb gas production and future potential Abo production.

c) The application of the Statutory Unitization Act to Tract 13 will result in an unconstitutional taking, without just compensation, of the current Tubb gas and the future Abo oil production in the Eubanks No. 2, located in Tract 13 of the proposed unit.

d) The Commission lacks jurisdiction to require that the Eubanks No. 2 Tubb gas production be shut in or produced from another well bore, that matter being within the exclusive province of the Federal Power Commission.

e) As applied to Tract 13 of the proposed unit, the orders of the Commission are arbitrary, capricious and discriminatory.

WHEREFORE, the applicant prays that the Commission grant a rehearing of the above cause, and that after rehearing, as provided by law, the Commission vacate and set aside its orders numbered R-5593 and R-5594 and enter its order deleting Tract 13 from said unit.

Respectfully submitted,

WHITE, KOCH, KELLY & McCARTHY

By: Kenneth Bateman  
Kenneth Bateman  
Attorneys for Texaco Inc.  
P.O. Box 787  
Santa Fe, New Mexico 87501



PETROLEUM PRODUCTS

PRODUCING DEPARTMENT  
CENTRAL UNITED STATES  
MIDLAND DIVISION

February 3, 1978

TEXACO INC.  
P. O. BOX 3109  
MIDLAND, TEXAS 79701

EAST BLINEBRY  
AND EAST DRINKARD UNITS  
LEA COUNTY, NEW MEXICO

Atlantic Richfield Company  
P. O. Box 1610  
Midland, Texas 79702

Attention: Mr. J. L. Tweed

Gentlemen:

5998-6000	2
Texaco	
2/21/78	

Within the boundary of the East Blinebry and East Drinkard Units, on Tract No. 13 in both units, the Eubanks Well No. 2 is completed in the Tubb (Gas) Pool. The well is operated by J. R. Cone and is located in the NW/4 SW/4 Section 14-T21S-R37E, Lea County, New Mexico.

Article 11 of the Unit Operating Agreement for each Unit provides that each 40 acre subdivision within the boundary of each Unit must have a well contributed to both Units, on the Effective Date, that is usable in the deeper of the two Units. The penalty for not contributing a well is a maximum charge of \$200,000. There is a further provision that the penalty can be paid from production rather than cash, but from the allocation to the entire tract, not from just the effected 40 acres.

We opposed your application to the New Mexico Oil Conservation Commission for approval of both Units on October 20, 1977. Our opposition was limited to the provisions of Article 11 of the Unit Operating Agreement. Following the hearing we offered suggested language that would eliminate our opposition. The Commission approved your application on December 27, 1977 and we then became a party to an application for a rehearing, which has been set for February 21, 1978.

The Eubanks Well No. 2 has significant Tubb gas reserves and a projected economic life of approximately seven (7) years. If the well were recompleted on the Effective Date and contributed to the Units, the remaining economic gas reserve would be effectively lost because of offset production to the west.

Texaco EK 1  
rehearing 2/21

February 3, 1978

As an equitable solution and to prevent the loss of Tubb gas reserves, we request that Arco as Unit Operator of the East Blinebry and the East Drinkard Units prepare a letter agreement for the approval of the Working Interest Owners in Tract No. 13 granting permission to delay the contribution of the Eubanks Well No. 2 to either Unit for a period of four (4) years following the Effective Date of unitization.

Production from the Eubanks No. 2 well is now commingled, through order of the Commission, from the Blinebry and the Tubb formations. Oil and gas production is assigned to each formation as follows:

	<u>Gas</u>	<u>Oil</u>
Blinebry	58%	71%
Tubb	42%	29%

It is proposed that during the above mentioned 4 year period the well continue to produce according to the allocation established by the Commission with the Blinebry production being credited to the Unit Account.

Further, in order to minimize the risk inherent with this proposed waterflood, and to allow for an orderly depletion of the Blinebry and Drinkard gas caps, as well as permit compliance with existing Tubb Gas Contracts, we ask that the Commission Orders Nos. R-5591 and R-5592 be amended to restrict water injection into the unitized formations to the Unit Area within Sections 11, 12, 13 and 24, T-21-S, R-37-E, until after a future Commission hearing wherein it is shown that the initial stage of waterflood development clearly indicates waterflood success and full scale expansion is then ordered by the Commission.

We ask that you give consideration to the above. A reply prior to February 21, 1978 would be appreciated.

Yours very truly,

D. T. McCreary  
Division Manager

By 

G. F. Clarke  
Assistant Division Manager

MST/pw

cc: Mr. J. R. Cone  
P. O. Box 871  
Lubbock, Texas 79400

Oil Conservation Commission  
State of New Mexico

North American Producing Division  
 Permian District  
 Post Office Box 1610  
 Midland, Texas 79701  
 Telephone 915 682 8631



February 10, 1978

Texaco, Inc.  
 P. O. Box 3109  
 Midland, Texas 79702

Attn: Mr. D. T. McCreary  
 Division Manager

Re: East Blinebry & East Drinkard Units  
 Lea County, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico	
Case No. _____	EXHIBIT No. _____
Submitted by: _____	
Hearing Date: _____	

Gentlemen:

As you pointed out in your letter dated February 3, 1978, subject as above, the Commission approved Atlantic Richfield's application for both units on December 27, 1977. Commission Order No's. R-5591, R-5592, R-5593, and R-5594 stand in effect until such time as a rehearing can be held on February 21, 1978. The rehearing being made under application of Texaco, Inc., J. R. Cone, and Summit Energy as granted by the Commission.

Texaco, Inc. has opposed Article 11 of the Unit Operating Agreement for each unit. This article, the wellbore provision, requires a usable well be provided on each 40-acre subdivision. If a well is not contributed, the tract shall bear all costs up to and including \$200,000. This cost can be paid from production rather than cash. Texaco has specifically objected to Article 11 as currently written, in that the Tubb gas reserves assigned to the Eubanks Well No. 2 would be lost if the well was contributed. In addition, with regards to Tract 13, Texaco's application for a rehearing set forth that there is no present need for secondary recovery methods, that waste will result from the inclusion of Tract 13, and their correlative rights will be violated.

Texaco has requested that Atlantic Richfield Company prepare a letter agreement for the approval of the working interest owners in Tact No. 13 granting permission to delay contribution of the Eubanks No. 2 to either unit for a period of four (4) years following the effective date of unitization. Atlantic Richfield Company does not have the authority, as unit expeditor, to grant such a delay without approval of the working interest owners who have approved the agreements. Such an agreement could not be prepared and circulated prior to the rehearing on February 21, 1978. The wellbore provision has been discussed thoroughly at the working interest owners' meetings. Contributed

*Texaco Ex 2  
 rehearing 2/21*

Texaco, Inc.  
Attn: Mr. McCreary  
February 10, 1978  
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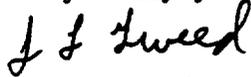
wellbores were part of the equity that each owner considered in unit negotiations. Since the Eubanks No. 2 is not the only well within the unit boundary with remaining Tubb reserves, we anticipate other operators wanting equal treatment. Timely contribution of usable wellbores is necessary for the operator to maintain consistent flood fronts in the Blinebry and Drinkard to increase maximum secondary recovery.

We have never recommended removing Tubb gas reserves from their contractual obligations because of unitization. Our previous testimony indicated that there are economic alternatives available to Tract 13 which would allow all of the Tubb gas to be recovered. Also, we have testified to the fact that during the initial negotiations a pilot operation was discussed but the majority of working interest owners were not in favor of such an operation. A pilot project would add an additional delay in full unit production. Any substantial delay would result in the loss of reserves because of the age of the wellbores within the units. A pilot would also require a larger investment.

Atlantic Richfield Company has recognized and testified that once the unit becomes effective, it will be eighteen months before injection will begin because of the time necessary to construct an injection facility. With the approval of the working interest owners, there is a possibility that exceptions could be made on individual wells to permit recovery of Tubb reserves before the wells were actually needed in the waterflood. Within 30 days after the rehearing we plan to call a working interest owners meeting. We have no objection to bringing this proposition to the attention of the working interest owners for consideration.

The Eubanks No. 2 well is currently commingled in the Tubb and Blinebry. Oil and gas production is assigned to each formation under an allocation approved by the NMOCC Commingling Order R-5481. The approval of the East Blinebry Unit and subsequent unit operations will change the basis on which the current allocation is being made. We deem the current commingled allocation to be unacceptable under unit operations.

Very truly yours,



J. L. Tweed

JLT/agp

cc: New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Mr. J. R. Cone, P. O. Box 871, Lubbock, Texas 79400

Mr. Clarence Hinkle, P. O. Box 10, Roswell, New Mexico

Mr. Horace Burton, Atlantic Richfield - Dallas

Mr. Curt Krehbiel, Atlantic Richfield - Midland