

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 6328
Order No. R-5817

APPLICATION OF MARALO, INC. FOR
STATUTORY UNITIZATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 11, 1978, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 26th day of September, 1978, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Maralo, Inc., seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 65-14-1 through 65-14-21, N.M.S.A. 1953 Compilation, of 540 acres, more or less, of fee lands, being a portion of the Jalmat Pool, and approval of the plan of unitization and the proposed operating plan.

(3) That the proposed unit area would be designated the Maralo Jalmat Yates Unit; that the vertical limits of said unit area would extend from the top of the Yates formation down to 100 feet below the base of the Queen formation, identified between the depths of 2,848 feet (being +290 feet subsea) and an estimated 3,680 feet (being -542 feet subsea) on the Perforating Guns Atlas Corporation's Simultaneous Radiation Log run on January 19, 1954, in Maralo's Humble-Winters "A" Well No. 2, located in the NE/4 NW/4 of Section 18, Township 25 South, Range 37 East, NNPM, Lea County, New Mexico, and is to include all

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subsurface points throughout the unit area correlative to those identified depths, and that the unit area would comprise the following described lands:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 12: SE/4
Section 13: NE/4

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 18: NW/4 and N/2 SW/4

(4) That the portion of the Jalmat Pool proposed to be included in the aforesaid Maralo Jalmat Yates Unit has been reasonably defined by development.

(5) That the applicant proposes to institute a waterflood project for the secondary recovery of oil and gas in the proposed unit area in accordance with Order No. R-5816.

(6) That the unitized management, operation and further development of the subject portion of the Jalmat Pool, as proposed, is reasonably necessary in order to effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil from the pool.

(7) That the proposed unitized method of operation as applied to the Maralo Jalmat Yates Unit Area is feasible, will prevent waste, and will result with reasonable probability in the increased recovery of substantially more oil from the pool than would otherwise be recovered.

(8) That the estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered plus a reasonable profit.

(9) That such unitization and adoption of the proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Maralo Jalmat Yates Unit Area.

(10) That the applicant has made a good faith effort to secure voluntary unitization within the Jalmat Pool.

(11) That the participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable and equitable basis, and protects the correlative rights of all owners of interest within the unit area.

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(12) That applicant's Exhibits Nos. 11 and 12 in this case being the Unit Agreement and the Unit Operating Agreement should be incorporated by reference into this order.

(13) That the Statutory Unitization of the Maralo Jalmat Yates Unit Area, in conformance to the above findings, will prevent waste and protect correlative rights and should be approved.

(14) That the plan for unit operations has been approved by those persons who are required to pay at least 75 percent of the costs of the unit operations and also by the owners of at least 75 percent of the production or proceeds thereof that will be credited to interests which are free of costs.

IT IS THEREFORE ORDERED:

(1) That the Maralo Jalmat Yates Unit Agreement, covering 560 acres of fee lands in the Jalmat Pool, Lea County, New Mexico, is hereby approved for statutory unitization pursuant to the Statutory Unitization Act, Sections 65-14-1 through 65-14-21, N.M.S.A. 1953 Compilation, and the interests of all persons in the unit are hereby unitized whether or not such persons have approved the plan of unitization in writing.

(2) That the lands covered by the Maralo Jalmat Yates Unit Agreement shall be designated as the Maralo Jalmat Yates Unit Area and shall comprise:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 12: SE/4
Section 13: NE/4

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 18: NW/4 and N/2 SW/4

(3) That the vertical limits of the Maralo Jalmat Yates Unit Area shall extend from the top of the Yates formation down to 100 feet below the base of the Queen formation identified between the depths of 2848 feet (+290 feet subsea) and an estimated 3680 feet (-542 feet subsea) on the Perforating Guns Atlas Corporation's Simultaneous Radiation Log run on January 19, 1954, in Maralo's Humble-Winters "A" Well No. 2 located in the NE/4 NW/4 of Section 18, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, and shall include all subsurface points throughout the unit area correlative to those identified depths.

(4) That applicant's Exhibit No. 11 in this case, being the Maralo Jalmat Yates Unit Agreement, is hereby incorporated by reference into this order.

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(5) That applicant's Exhibit No. 12 in this case, being the Maralo Jalmat Yates Unit Operating Agreement, is hereby incorporated by reference into this order.

(6) That the Maralo Jalmat Yates Unit Agreement and the Maralo Jalmat Yates Unit Operating Agreement provide for unitization and unit operation of the subject portion of the Jalmat Pool upon terms and conditions that are fair, reasonable and equitable and include:

an allocation to the separately owned tracts in the unit area of all the oil and gas that is produced from the unit area and is saved, being the production that is not used in the conduct of operations on the unit area or not unavoidably lost;

a provision for the 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;

a provision governing how the costs of unit operations including capital investments shall 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;

a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon terms and conditions that are just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production, provided that any nonconsenting working interest owner being so carried shall be deemed to have relinquished to the unit operator all of its operating rights and working interest in and to the unit until his share of the costs, service charge and interest are repaid to the unit operator;

a provision designated the unit operator and providing for the supervision and conduct of the unit operations, including the selection, removal

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or substitution of an operator from among the working interest owners to conduct the unit operations;

a 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; and

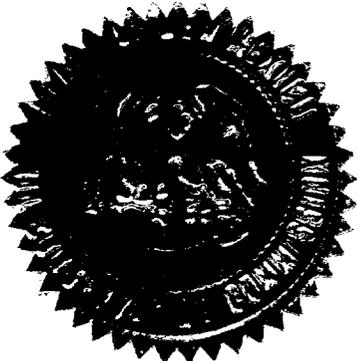
the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination;

and are therefore hereby adopted.

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

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