

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9682
ORDER NO. R-8967

APPLICATION OF KERR-MCGEE CORPORATION
FOR STATUTORY UNITIZATION, CHAVES COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 7, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of August, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) At the time of the hearing, this case was consolidated with Case No. 9683 for the purpose of testimony.

(3) The applicant, Kerr-McGee Corporation, seeks statutory unitization, pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21, NMSA (1978), for the purpose of establishing a secondary recovery project in the designated and Undesignated Chaveroo-San Andres Pool, said unit to be designated the K-M Chaveroo San Andres Unit Area with horizontal limits comprising all of Sections 1 and 2, Township 8 South, Range 33 East, NMPM, Chaves County, New Mexico, containing 1280.37 acres, more or less, of State lands. The applicant further seeks approval of the Unit Agreement and the Unit Operating Agreement which were submitted in evidence as Exhibits 2, 3, 3A and 4 in this case.

(4) The vertical limits of said Unit Area should comprise the subsurface formation commonly known as the San Andres formation; the vertical limits thereof are found in that stratigraphic interval between 4211 and 4345 feet as measured on the Compensated Formation Density Log run in the Kerr-McGee Corporation State "F" Well No. 1 located 660 feet from the North and West lines of said Section 2. The unitized formation shall further include all subsurface points throughout the Unit Area correlative to the aforementioned identified depths.

(5) At the time of the hearing the applicant had made a good faith effort to secure voluntary unitization within the Unit Area and at the time of the hearing over 97 percent of the working interest owners and 100 percent of the royalty interest owners were committed to the unit. Subsequent to the hearing the remaining 3 percent of the working interest owners agreed to voluntarily commit their interest to the unit.

(6) The proposed unit should therefore be approved as a voluntary unit agreement at this time.

(7) No interested party appeared and objected to the proposed unit area or proposed plans for a waterflood project.

(8) All plans of development and operation and creations, expansions or contractions of participating areas or expansions or contractions of the unit area should be submitted to the Director of the Division for approval.

(9) Approval of the proposed unit area should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The application of Kerr-McGee Corporation for the K-M Chaveroo San Andres Unit, covering 1280.37 acres, more or less, of State lands in the designated and Undesignated Chaveroo-San Andres Pool, Chaves County, New Mexico, for the purpose of establishing a secondary recovery project is hereby approved for voluntary unitization.

(2) The land covered by said K-M Chaveroo San Andres Unit Agreement shall be designated the K-M Chaveroo San Andres Unit Area and shall comprise all of Sections 1 and 2, Township 8 South, Range 33 East, NMPM, Chaves County, New Mexico.

(3) The vertical limits of said Unit Area shall comprise the subsurface formation commonly known as the San Andres formation, the vertical limits thereof are found in that stratigraphic interval between 4211 and 4345 feet as measured on the Compensated Formation Density Log run in the Kerr-McGee Corporation State "F" Well No. 1 located 660 feet from the North and West lines of said Section 2. The unitized formation shall further include all subsurface points throughout the Unit Area correlative to the aforementioned identified depths.

(4) The K-M Chaveroo San Andres Unit Agreement and the K-M Chaveroo San Andres Unit Operating Agreement, which were submitted to the Division prior to this hearing and made a part of the record in this case, are hereby incorporated by reference into this order.

(5) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(6) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(7) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(8) This order shall become effective upon approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; this order shall terminate ipso facto upon termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

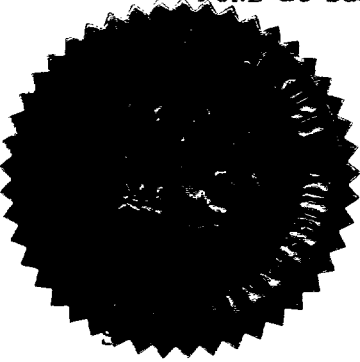
(9) The portion of the subject application seeking statutory unitization of the K-M Chaveroo San Andres Unit Area is hereby dismissed.

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(10) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



Victor D. Lyon
for WILLIAM J. LEMAY
Director