

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. 10930
Order No. R-10093

**APPLICATION OF THE WISER OIL
COMPANY FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 3, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 5th day of April, 1994, 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) Division Case Nos. 10930, 10931 and 10932 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, The Wiser Oil Company, seeks the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA, (1978), of all mineral interests underlying 4,160 acres, more or less, of State and Federal lands comprising portions of Sections 13 and 24, Township 17 South, Range 32 East, NMPM, and portions of Sections 17 through 21, 27 through 29, and Section 33, Township 17 South, Range 33 East, NMPM, and embracing a portion of the Maljamar Grayburg-San Andres Pool, Lea County, New Mexico, said unit to be known as the Caprock Maljamar Unit Area; the applicant further seeks the approval of the Unit Agreement which was submitted in evidence as applicant's Exhibit No. 4 in this case.

(4) By Order No. R-2768 dated September 16, 1964, the Division, upon application of Sunset International Petroleum Corporation, established the Mal-Gra Unit Area, a 600-acre unit established for the purpose of conducting secondary recovery operations within the Maljamar Grayburg-San Andres Pool.

(5) The Mal-Gra Unit Area, which encompasses the following described acreage, is embraced within the proposed Caprock Maljamar Unit Area:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 20: S/2

Section 21: W/2 W/2, SE/4 NW/4, SE/4 SW/4

Section 29: NE/4 NE/4

(6) The applicant, being the successor operator of the Mal-Gra Unit, requested at the hearing that the subject unit be terminated.

(7) The Mal-Gra Unit should be terminated, provided however that the applicant, pursuant to the provisions of the Mal-Gra Unit Agreement, should request in writing that the Commissioner of Public Lands for the State of New Mexico also terminate such unit.

(8) The proposed unit area should be designated the Caprock Maljamar Unit Area, and the horizontal limits of said unit area should be comprised of the following described State and Federal lands in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM

Section 13: SE/4

Section 24: All

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 17: All

Section 18: E/2, SW/4

Sections 19 and 20: All

Section 21: W/2 W/2, SE/4 NW/4, SE/4 SW/4

Section 27: NW/4 SW/4

Section 28: W/2, SE/4, SW/4 NE/4

Section 29: NE/4 NE/4

Section 33: N/2 NE/4, SE/4 NE/4

(9) Said unit has been approved by the United States Bureau of Land Management (BLM) and the Commissioner of Public Lands for the State of New Mexico, subject to the approval of the statutory unitization by the Division.

(10) The vertical limits of the Caprock Maljamar Unit Area, as described within the Unit Agreement, should comprise that interval from the surface to a depth of 5,500 feet.

(11) The unit area contains thirteen (13) separate tracts. The applicant is the sole working interest owner within the proposed Caprock Maljamar Unit.

(12) As of the date of hearing, the owners of approximately eighty-two (82) percent of the royalty interest were effectively committed to the unit or have balloted to support the unit.

(13) All interested parties who have not agreed to unitization were notified of the hearing by the applicant, but no interest owner appeared at the hearing in opposition to the unitization nor to the vertical limits of the proposed unit area.

(14) The portion of the Maljamar Grayburg-San Andres Pool underlying the unit area has reasonably been defined by development.

(15) The applicant proposes to institute an enhanced recovery project for the secondary recovery of oil, gas and associated liquefiable hydrocarbons within and to be produced from the proposed unit area (being the subject of Case Nos. 10931 and 10932).

(16) According to applicant's evidence and testimony, five different areas within the proposed Caprock Maljamar Unit, including the aforesaid Mal-Gra Unit Area, have previously been subject to waterflood operations.

(17) Further testimony indicates that these lease or unit waterflood operations were conducted within the Maljamar Grayburg- San Andres Pool on 80-acre five spot injection patterns.

(18) Unitized management of the unit area and a reduction to a 40-acre five spot injection pattern should enable the applicant to recover an additional 6.8 million barrels of oil from the Caprock Maljamar Unit Area.

(19) The unitized management, operation and further development of the Caprock Maljamar Unit Area, as proposed, is feasible and reasonably necessary to effectively and efficiently carry on enhanced recovery operations and should substantially increase the ultimate recovery of oil and gas from a portion of the Maljamar-Grayburg San Andres Pool.

(20) The proposed unitized method of operation as applied to the unit area is feasible and will result with reasonable probability in the increased recovery of substantially more oil from the unitized portion of the pool than would otherwise be recovered without unitization.

(21) The estimated additional cost of the proposed unitized operations within the unit area will not exceed the estimated value of the additional oil and gas plus a reasonable profit.

(22) The applicant, designated operator of the unit area pursuant to the Unit Agreement, has made a good faith effort to secure voluntary unitization within the unit area.

(23) The participation formula contained in the Unit Agreement allocates the produced and saved unitized substances to the separately owned tracts in the unit area, on a fair, reasonable and equitable basis.

(24) Unitization and the adoption of the proposed unitized methods of operation will benefit the working, royalty and overriding royalty interest owners of the oil and gas rights within the Caprock Maljamar Unit Area.

(25) The applicant's Exhibit No. 4 in this case, being the Unit Agreement, should be incorporated by reference into this order.

(26) The Caprock Maljamar Unit Agreement, as applied to the unit area, provides for unitization of the Caprock Maljamar Unit Area upon terms and conditions that are fair, reasonable, equitable, and which include:

- (a) an allocation to the separately owned tracts in the unit area of all oil and gas that is produced from the unit area and which is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;
- (b) a provision designating the unit operator and providing for the supervision and conduct of the unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct the unit operations;
- (c) the time when the unit operations shall commence and the manner in which, and the circumstances under which, the unit operations shall terminate and for the settlement of accounts upon such termination.

(27) The statutory unitization of the Caprock Maljamar Unit Area is in conformity with the above findings, and will prevent waste and will protect the correlative rights of all interest owners within the proposed unit area, and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The Caprock Maljamar Unit Area comprising 4,160 acres, more or less, of State and Federal lands in the Maljamar Grayburg- San Andres Pool, Lea County, New Mexico, is hereby approved for statutory unitization pursuant to the Statutory Unitization Act, Sections 70-7-1 through 70-7-21, NMSA, (1978).

(2) The lands included within the Caprock Maljamar Unit Area shall comprise:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM

Section 13: SE/4

Section 24: All

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 17: All

Section 18: E/2, SW/4

Sections 19 and 20: All

Section 21: W/2 W/2, SE/4 NW/4, SE/4 SW/4

Section 27: NW/4 SW/4

Section 28: W/2, SE/4, SW/4 NE/4

Section 29: NE/4 NE/4

Section 33: N/2 NE/4, SE/4 NE/4

(3) The vertical limits of the Caprock Maljamar Unit Area, as described within the Unit Agreement, shall comprise that interval from the surface to a depth of 5,500 feet.

(4) The applicant shall institute a secondary recovery project for the secondary recovery of oil, gas and all associated liquefiable hydrocarbons within and produced from the unit area, (said secondary recovery project being the subject of Case Nos. 10931 and 10932).

(5) The Caprock Maljamar Unit Agreement, being applicant's Exhibit No. 4 in this case, is hereby incorporated by reference into this order.

(6) The Unit Agreement for the Caprock Maljamar Unit provides for unitization of the unit area upon terms and conditions that are fair, reasonable and equitable.

(7) Since the persons owning the required statutory minimum percentage of interest in the unit area have approved or ratified the Unit Agreement, the interest of all persons within the Unit Area are hereby unitized whether or not such persons have approved the Unit Agreement in writing.

(8) The applicant as Unit Operator shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the unit area.

(9) The Mal-Gra Unit Area, which encompasses the following described acreage within the Caprock Maljamar Unit Area, is hereby terminated, provided however, the applicant shall apply and also obtain approval for such termination from the Commissioner of Public Lands for the State of New Mexico:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 20: S/2

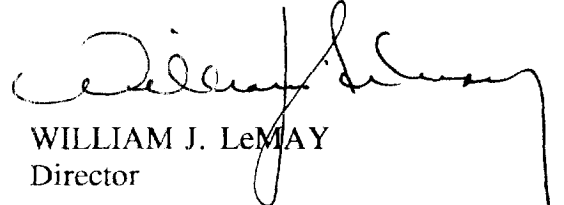
Section 21: W/2 W/2, SE/4 NW/4, SE/4 SW/4

Section 29: NE/4 NE/4

(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



WILLIAM J. LeMAY
Director

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