

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. 11703
ORDER NO. R-10862

**APPLICATION OF PARKER & PARSLEY DEVELOPMENT, L. P. FOR
STATUTORY UNITIZATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 6, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of August, 1997 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) The applicant in Case No. 11298, Parker & Parsley Development, L. P. ("Parker & Parsley"), seeks the 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, of all mineral interests in the designated and Undesignated West Lusk-Delaware Pool comprising 1520.00 acres, more or less, of Federal lands in Lea County, New Mexico, said unit to henceforth be known as the Lusk West (Delaware) Unit Area; the applicant further seeks approval of the "*Unit Agreement*" and "*Unit Operating Agreement*", which were submitted at the time of the hearing in evidence as applicant's Exhibit Nos. 2a and 2b.

(3) The applicant proposes that said unit comprise the following described area in Lea County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 20: All
Section 21: NW/4 and N/2 SW/4
Section 29: All.

(4) The horizontal confines of said unit are within the governing limits, as specified by Division General Rule 104.A(2), of the West Lusk-Delaware Pool with a large part of the proposed area having been reasonably defined by development.

(5) The proposed vertical limits or "Unitized Formation" of said area is to comprise that interval between 6,474 feet and 6,508 feet as recorded on the *Compensated Neutron Litho-Density Log* dated December 8, 1989 in its Lusk Deep Unit "A" Well No. 17 (API No. 30-025-30518), located 330 feet from the North and East lines (Unit A) of Section 20, Township 19 South, Range 30 East, NMPM, Lea County, New Mexico

(6) The proposed Unit Area contains six separate tracts of land owned by five different working interests. There is only one royalty interest owner, the United States government, and a total of 35 overriding royalty interest owners.

(7) At the time of the hearing: (i) one hundred percent of the working interest owners have committed to the Unit; (ii) the U. S. Bureau of Land Management has approved the proposed unitization by letter dated January 28, 1997; and, (iii) approximately 94 percent of the overriding royalty interest owners have ratified the unit agreement.

(8) All interested parties who have not agreed to unitization were notified of the hearing by the applicant, but no person entered an appearance or opposed the application at the hearing.

(9) The applicant therefore has made a good faith effort to secure voluntary unitization within the above-described Unit Area.

(10) The applicant proposes to institute a water injection program for the secondary recovery of oil and associated gas, condensate, and all associated liquefiable hydrocarbons within and to be produced from the proposed unit area (being the subject of Division Case No. 11704).

(11) The unitized management, operation and further development of this secondary recovery project, as proposed, is reasonably necessary to effectively carry on secondary recovery operations and will substantially increase the ultimate recovery of oil and gas from the unitized portion of the pool.

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

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

(14) Such unitization and adoption of applicant's proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the proposed secondary recovery project area.

(15) The granting of the application in this case will have no adverse effect upon the West Lusk-Delaware Pool.

(16) The applicant's Exhibit Nos. 2a and 2b in this case, being the Unit Agreement and the Unit Operating Agreement, should be incorporated by reference into this order.

(17) The Lusk West (Delaware) Unit Agreement and the Lusk West (Delaware) Unit Operating Agreement provide for unitization and unit operation upon terms and conditions that are fair, reasonable and equitable, and include:

- (a) an allocation to the separately owned tracts of 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 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 operators;
 - (c) 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 such costs shall be charged to such owner, or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;
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- (d) a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable;
- (e) a provision designating the Unit Operator and providing for supervision and conduct of the unit operations, including the selection, removal and substitution of an operator from among the working interest owners to conduct the unit operations;
- (f) a provision for a voting procedure for decisions on matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and
- (g) 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.

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

IT IS THEREFORE ORDERED THAT:

(1) The application of Parker & Parsley Development, L. P. for the Lusk West (Delaware) Unit, covering 1520.00 acres, more or less, of federal lands in the designated and Undesignated West Lusk-Delaware 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 Lusk West (Delaware) Unit Agreement and the Lusk West (Delaware) Unit Operating Agreement, which were submitted to the Division at the time of the hearing as Exhibits 2a and 2b are hereby incorporated by reference into this order.

(3) The lands herein designated the Lusk West (Delaware) Unit Area shall comprise the following described acreage in Lea County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 20:	All
Section 21:	NW/4 and N/2 SW/4
Section 29:	All.

(4) The vertical limits of said unitized area shall comprise that interval between 6,474 feet and 6,508 feet as recorded on the *Compensated Neutron Litho-Density Log* dated December 8, 1989 in its Lusk Deep Unit "A" Well No. 17 (API No. 30-025-30518), located 330 feet from the North and East lines (Unit A) of Section 20, Township 19 South, Range 30 East, NMPM, Lea County, New Mexico.

(5) The applicant shall institute a water injection program for the secondary recovery of oil and associated gas, condensate and all associated liquefiable hydrocarbons within and produced from the unit area, and said secondary recovery project which is the subject of Division Case No. 11704.

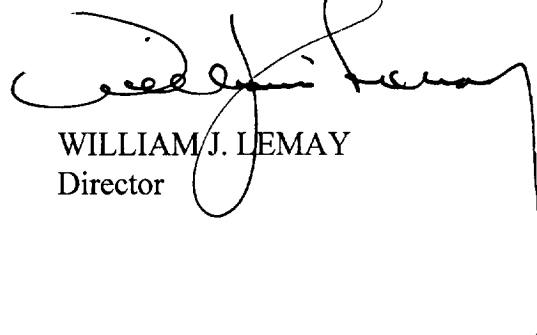
(6) Since the persons owning the required statutory minimum percentage of interest in the unit area have approved or ratified the Unit Agreement and the Unit Operating Agreement, the interests of all persons within the Unit Area are hereby unitized whether or not such persons have approved the Unit Agreement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

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.

(7) 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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