

**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. 12046
ORDER NO. R-11098**

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR STATUTORY
UNITIZATION, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 17, 1998, at Santa Fe, New Mexico before Examiner David R. Catanach.

NOW, on this 9th day of December, 1998, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) Division Cases No. 12046 and 12047 were consolidated at the hearing for the purpose of testimony.
- (3) The applicant, Burlington Resources Oil & Gas Company (Burlington), seeks (i) the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA 1978, of 566.36 acres, more or less, being a portion of the West Corbin-Delaware Pool, Lea County, New Mexico, and to be known as the Corbin Federal Delaware Unit, hereinafter referred to as the "Unit Area" and (ii) approval of the "Unit Agreement" and the "Unit Operating Agreement" which were submitted as evidence as applicant's Exhibits No. 6 and 8, respectively, in this case.
- (4) Burlington proposes to institute an enhanced oil recovery project for the secondary recovery of oil and gas from the "Unitized Formation" within the Unit Area (the subject of companion Case No. 12047).
- (5) The proposed Corbin Federal Delaware Unit consists entirely of two Federal oil and gas leases located in Lea County, New Mexico and comprises 566.36 acres, more or less, described as follows:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 7: S/2 SW/4, SW/4 SE/4
Section 17: SW/4 NW/4
Section 18: N/2, N/2 SE/4

(6) The proposed vertical interval of the "Unitized Formation" is that interval underlying the Unit Area locally known as the vertical interval lying between the top of the Delaware Lower "YZ" producing horizon and the base of the Delaware "B" producing horizon as described in the Platt & Sparks July 1997 Waterflood Feasibility Report. The vertical interval is further described as extending from an upper limit that is the stratigraphic equivalent of 5,002 feet below the surface of the ground down to a lower limit that is the stratigraphic equivalent of 5,102 feet as encountered in Corbin Federal Well No. 22, located in Unit F of Section 18, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, as recorded on the Halliburton Spectral Density Dual Spaced Neutron Log taken April 22, 1990.

(7) Applicant has requested preliminary approval from the Bureau of Land Management for the Corbin Federal Delaware Unit.

(8) Applicant has made a good faith effort to secure voluntary unitization within the Unit Area and as of the date of the hearing has obtained written ratifications and joinders from 100% of the working interest owners and from 93.7413% of the royalty and overriding royalty interest owners.

(9) Altura Energy, Ltd. is the only remaining overriding royalty interest owner who has not voluntarily committed its 6.2587% interest to the unit.

(10) Altura Energy, Ltd. was provided a reasonable opportunity to voluntarily participate and has been served with notice of this hearing.

(11) Altura Energy, Ltd. did not appear at the hearing in opposition to the application.

(12) Burlington projects that the unitized management, operation and further development of the Unitized Formation within the Unit Area will increase recoverable reserves by approximately 161,000 barrels of oil and will improve the producing rate of this reservoir.

(13) Applicant has obtained approval for the unit from a sufficient percentage of the interest owners that the unit operations will orderly and uniformly develop the area and therefore will avoid waste and protect correlative rights.

(14) The consenting parties to the Unit Agreement and Unit Operating Agreement hold sufficient interest to give the unit operator reasonable effective control of operations.

(15) The statutory unitization of the Unitized Formation within the Unit Area in accordance with the plan embodied in the Unit Agreement and Unit Operating Agreement will prevent waste and protect correlative rights and is upon terms and conditions that are fair, reasonable, equitable and in accordance with the Statutory Unitization Act including all of the elements necessary for the entry of an order involuntarily committing the remaining overriding royalty interest.

(16) The proposed unitized method of secondary recovery operations within the Unit Area is feasible and will result with reasonable probability in the recovery of substantially more oil and gas from the unitized portion of the pool than would otherwise be recovered without unitization.

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

(18) Statutory unitization and adoption of applicant's proposed unitized method of operation will benefit the working interest and royalty owners within the proposed secondary recovery project area.

(19) The applicant's Exhibits No. 6 and 8 in this case the Unit Agreement and Unit Operating Agreement should be incorporated by reference into this order

(20) The Corbin Federal Delaware Unit Agreement and the Corbin Federal 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 in the unit area of all oil and gas is produced from the unit area and that 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 operations;

- (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 such costs shall be paid, including a provision providing when, how and by whom such costs shall be charged to the owners, or the interests of such owners, and how their interests may be sold and the proceeds applied to the payment of their costs;
- (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 that are just and reasonable, and that 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 a Unit Operator and providing for supervision and conduct of unit operations, including the selection, removal and substitution of an operator from among the working interest owners to conduct unit operations;
- (f) a voting procedure for matters to be decided by the working interest owners under which each working interest owner shall have a voting interest equal to its 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 provision for the settlement of accounts upon such termination.

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

IT IS THEREFORE ORDERED:

(1) The application of Burlington Resources Oil & Gas Company for the statutory unitization of 566.36 acres, more or less, being a portion of the West Corbin-Delaware Pool, Lea County, New Mexico, to be known as the Corbin Federal Delaware Unit, is hereby approved pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA 1978.

(2) The Corbin Federal Delaware Unit shall comprise the following described 566.36 acres, more or less, of Federal lands in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 7: S/2 SW/4, SW/4 SE/4

Section 17: SW/4 NW/4

Section 18: N/2, N/2 SE/4

(3) The "Unitized Formation" shall comprise that interval underlying the Unit Area locally known as the vertical interval lying between the top of the Delaware Lower "YZ" producing horizon and the base of the Delaware "B" producing horizon as described in the Platt & Sparks July 1997 Waterflood Feasibility Report. The vertical interval is further described extending from an upper limit that is the stratigraphic equivalent of 5,002 feet below the surface of the ground down to a lower limit that the stratigraphic equivalent of 5,102 feet as encountered in Corbin Federal Well No. 22, located in Unit F of Section 18, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, as recorded on the Halliburton Spectral Density Dual Spaced Neutron Log taken April 22, 1990.

(4) The Corbin Federal Delaware Unit Agreement and Corbin Federal Delaware Unit Operating Agreement, which were submitted to the Division at the time of the hearing as Exhibits No. 6 and 8, respectively, are hereby incorporated by reference into this order.

(5) The applicant is hereby approved to institute a water injection program for the secondary recovery of oil and associated gas, condensate and all associated liquefiable hydrocarbons within the Unit Area, such operations being the subject of companion Case No. 12047.

(6) Since persons owning the required statutory minimum percentages of working, royalty and overriding royalty interests have approved or ratified the Unit Agreement and the Unit Operating Agreement, the interests of all remaining uncommitted interest owners within the unit area are hereby unitized whether or not such persons have approved in writing the Unit Agreement or the Unit Operating Agreement.

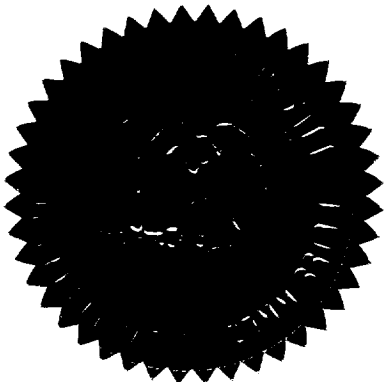
(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 12046
Order No. R-11098
Page 6

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director



S E A L