

**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. 12983
ORDER NO. R-11930**

**APPLICATION OF SEELY OIL COMPANY FOR APPROVAL OF A UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 9, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of April, 2003, 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. 12983 and 12964 were consolidated at the hearing for the purpose of testimony.

(3) The applicant, Seely Oil Company ("Seely"), seeks approval of the E-K Penrose Sand Unit Agreement for all oil and gas in the Penrose Sand member of the Queen formation underlying the following-described 1,469.75 acres, more or less, of Federal and fee lands in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 24: SE/4

Section 25: NE/4

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 19: S/2

Section 20: W/2 SW/4, SE/4 SW/4

Section 29: NW/4, N/2 SW/4
Section 30: N/2, N/2 SE/4, E/2 SW/4

(4) The "Unitized Formation," as described within the E-K Penrose Sand Unit Agreement, is to comprise the Penrose Queen Sand, defined as those established underground reservoirs that exist in the interval from 4,640 feet to 4,750 feet as shown on the Compensated Density Log run on the C. W. Stumhoffer Federal "CS" Well No. 1 located 660 feet from the South line and 1980 feet from the East line, Unit O of Section 19, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico.

(5) Within the Unit Area, the applicant proposes to initiate a waterflood project for the secondary recovery of oil and gas from the Unitized Formation (being the subject of companion Case No. 12964).

(6) The applicant has secured the voluntary participation of 100% of the working and royalty interest owners within the proposed E-K Penrose Sand Unit.

(7) The applicant presented testimony to the effect that it has not yet secured the voluntary participation of all overriding royalty interest owners within the Unit Area, but that it anticipates obtaining voluntary joinder from these parties.

(8) The applicant presented further evidence that demonstrates that:

- (a) a portion of the acreage to be included within the proposed E-K Penrose Sand Unit is currently contained within the E-K Queen Unit Area. The E-K Queen Unit Area was initially formed by Socony Mobil Oil Company for the purpose of initiating secondary recovery operations in the Queen formation. This unit was approved by Division Order No. R-2913 dated June 1, 1965;
- (b) the "Unitized Formation" within the E-K Queen Unit Area originally comprised the entire Queen formation, including the Penrose Sand member. Secondary recovery operations within the E-K Queen Unit Area have only been conducted within the "Upper" and "Main" Queen pay intervals, and not within the Penrose Sand member; and

- (c) by Division Order No. R-2913-A dated July 24, 2002, Seely Oil Company, the current operator of the E-K Queen Unit, was granted approval to contract the vertical limits of "Unitized Formation" to exclude the Penrose Sand member.

(9) No interested party appeared at the hearing or otherwise objected to the proposed unit.

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

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Seely Oil Company, the E-K Penrose Sand Unit Agreement is hereby approved for all oil and gas in the Penrose Queen Sand underlying the following-described 1,469.75 acres, more or less, of Federal and fee lands in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 24: SE/4
Section 25: NE/4

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

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Section 20: W/2 SW/4, SE/4 SW/4
Section 29: NW/4, N/2 SW/4
Section 30: N/2, N/2 SE/4, E/2 SW/4

(2) The plan contained in the 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 the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation that 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.

(3) 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, copies of the unit agreement reflecting

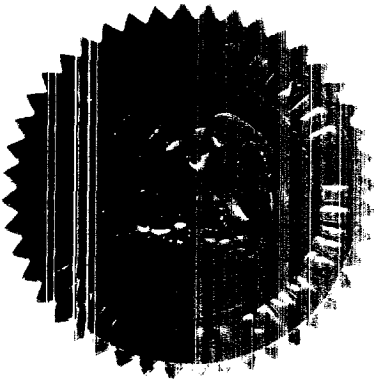
the subscription of those interests that have joined or ratified.

(4) All plans of (i) development and operation; (ii) creation, expansion or contraction of participating areas; or (iii) expansion or contraction of the unit area shall be submitted to the Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the United States Bureau of Land Management. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director