

Entered February 13, 1976  
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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5596  
Order No. R-5164

APPLICATION OF BURK ROYALTY COMPANY  
FOR STATUTORY UNITIZATION, DOUBLE L-  
QUEEN POOL, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on December 3, 1975, and on January 7, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 17th day of February, 1976, the Commission, a quorum being present, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Burk Royalty Company, seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 65-14-1 through 65-14-21, NMSA, 1953 Compilation, of 2,670.10 acres, more or less, of State, Federal, and fee lands, being a portion of the Double L-Queen Associated Pool, Chaves County, New Mexico, and approval of the plan of unitization and the proposed operating plan.

(3) That the proposed unit area would be designated the Double L Queen Unit Area; that the vertical limits of said unit area would be the subsurface formation commonly known as the Queen Formation and which is encountered between the logged depths of 1870 feet (subsea elevation of + 1984 feet) and 1980 feet (subsea elevation of + 1874 feet) as shown on the Schlumberger Compensated Formation Density Log dated July 30, 1969, for the Dalport Oil Corporation Spurck State Well No. 5, located 1980 feet from the South line and 1980 feet from the East line of Section 36, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico; and that the unit area would comprise the following described lands:

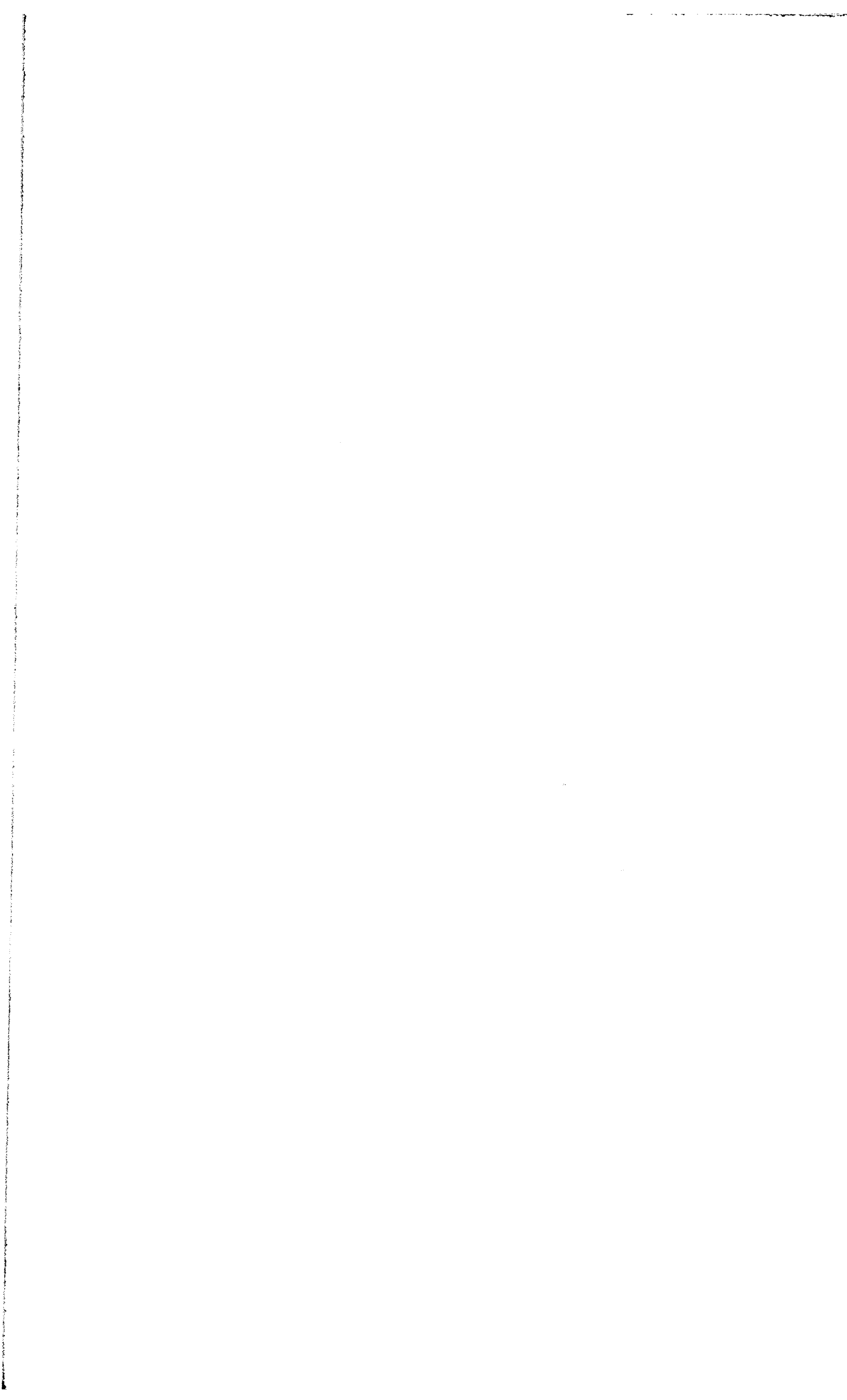
TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM

Section 23: E/2 SE/4

Section 24: W/2 SW/4

Section 25: NW/4, SW/4 NE/4, N/2 SW/4, SE/4 SW/4,  
W/2 SE/4 and SE/4 SE/4

Section 36: NE/4 NW/4, NE/4, N/2 SE/4 and SE/4 SE/4



TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM  
Section 31: W/2, W/2 SE/4 and SE/4 SE/4

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM  
Section 1: E/2 E/2  
Section 12: NE/4 and E/2 SE/4  
Section 13: NE/4 NE/4

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM  
Section 6: N/2, SW/4 and NW/4 SE/4  
Section 7: W/2 W/2 and NE/4 NW/4  
Section 18: NW/4

(4) That the portion of the Double L-Queen Associated Pool proposed to be included in the aforesaid Double L Queen Unit Area has been reasonably defined by development.

(5) That the applicant proposes to institute a waterflood project for the secondary recovery of oil and gas in the proposed unit area, and in fact has heretofore sought and been granted approval to institute such a project in the Double L Queen Unit Area by Commission Order No. R-5007, dated May 6, 1975.

(6) That the unitized management, operation and further development of the subject portion of the Double L-Queen Associated Pool, as proposed, is reasonably necessary in order to effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil from the pool.

(7) That the proposed unitized method of operation as applied to the Double L Queen Unit Area is feasible, will prevent waste, and will result with reasonable probability in the increased recovery of substantially more oil from the pool than would otherwise be recovered.

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

(9) That such unitization and adoption of the proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Double L Queen Unit Area.

(10) That the applicant has made a good faith effort to secure voluntary unitization within the Double L Queen Associated Pool.

(11) That the participation formula contained in the unitization agreement does not allocate the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable and equitable basis, and does not protect the correlative rights of all owners of interest within the unit area.



(12) That a two-phase formula equally recognizing under its first phase remaining primary production and net acre feet of pay under each tract and under its second phase total primary production and net acre feet of pay under each tract will allocate the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable and equitable basis, and will protect the correlative rights of all owners of interest within the unit area.

(13) That there should be attached to this order an exhibit showing such fair, reasonable and equitable allocation of said unitized hydrocarbons to each of the separately owned tracts within the unit area.

(14) That applicant's Exhibits Nos. 1 and 2 in this case, being the Unit Agreement and the Unit Operating Agreement should be incorporated by reference into this order.

(15) That Section 13, Section 14, Section 23 and Exhibit "C" of said Unit Agreement should be amended to appropriately reflect the terms and conditions of this order.

(16) That applicant should amend Exhibit "E" of the Unit Operating Agreement to conform to the tract participation factors set out in Amended Exhibit "C" of the Unit Agreement.

(17) That the Statutory Unitization of the Double L Queen Unit Area, in conformance to the above findings, should be approved.

IT IS THEREFORE ORDERED:

(1) That the Double L Queen Unit Agreement, as hereinafter amended, covering 2670.10 acres, more or less, of State, Federal, and fee lands in the Double L-Queen Associated Pool, Chaves County, New Mexico, is hereby approved for statutory unitization pursuant to the Statutory Unitization Act.

(2) That the lands covered by said Double L Queen Unit Agreement shall be designated the Double L Queen Unit Area and shall comprise:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM

Section 23: E/2 SE/4

Section 24: W/2 SW/4

Section 25: NW/4, SW/4 NE/4, N/2 SW/4, SE/4 SW/4,  
W/2 SE/4 and SE/4 SE/4

Section 36: NE/4 NW/4, NE/4, N/2 SE/4 and SE/4 SE/4

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM

Section 31: W/2, W/2 SE/4 and SE/4 SE/4

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TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM  
Section 1: E/2 E/2  
Section 12: NE/4 and E/2 SE/4  
Section 13: NE/4 NE/4

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM  
Section 6: N/2, SW/4 and NW/4 SE/4  
Section 7: W/2 W/2 and NE/4 NW/4  
Section 18: NW/4

(3) That the vertical limits of the Double L Queen Unit Area shall be the Queen Formation as found between the logged depths of 1870 feet (subsea elevation of + 1984 feet) and 1980 feet (subsea elevation of + 1874 feet) as shown on the Schlumberger Compensated Formation Density Log dated July 30, 1969, for the Dalport Oil Corporation Spurck State Well No. 5, located 1980 feet from the South line and 1980 feet from the East line of Section 36, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

(4) That the applicant, Burk Royalty Company, is hereby authorized to institute a waterflood project in the Double L Queen Unit Area, Double L-Queen Associated Pool, Chaves County, New Mexico, pursuant to the provisions set forth in Commission Order No. R-5007.

(5) That applicant's Exhibit No. 1 in this case, being the Double L Queen Unit Agreement, is hereby incorporated by reference into this order, subject to the amendments hereinafter set forth.

(6) That applicant's Exhibit No. 2 in this case, being the Double L Queen Unit Operating Agreement, is hereby incorporated by reference into this order, subject to the amendments hereinafter provided for.

(7) That Section 13 of applicant's Exhibit No. 1 in this case is hereby amended to read in its entirety as follows:

"SECTION 13. TRACT PARTICIPATION. In Exhibit "C" attached hereto there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures which represent the Tract Participation, during Phase I and Phase II of Unit Operations. The Phase I and Phase II Tract Participation of each Tract as shown in Exhibit "C" were determined in accordance with the following formulas:

Tract Participation during Phase I: 50% A + 50% B

Phase II: 50% B + 50% C



Where A = Ratio of the volume of oil determined to be producible after 11/1/75 from each Tract to the summation of the volume of producible oil after 11/1/75 from all Tracts being 166,528 barrels.

B = Ratio of the Acre-Feet of originally productive oil reservoir from each Tract to the summation of Acre-Feet from all Tracts being 10,077.3 acre feet.

C = Ratio of the volume of oil determined to be ultimately producible from each Tract to the summation of the volume determined to be ultimately producible from all Tracts being 1,634,102 barrels.

Phase I shall begin on the Effective Date of this Agreement and continue until the first day of the calendar month next following the date on which the total number of barrels of oil produced from the Unitized Formation underlying all Tracts described in the original Exhibit "B" hereof equals 1,634,102 barrels as determined from the official production reports (currently known as C-115 reports) filed with the New Mexico Oil Conservation Commission. Phase II shall begin with the termination of Phase I and continue for the remainder of the term of this Agreement."

(8) That the first paragraph of Section 14 of applicant's Exhibit No. 1 in this case is hereby amended to read in its entirety as follows:

"SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION.  
On and after the Effective Date hereof, all tracts within the Unit Area shall be entitled to participation in the production of unitized substances."

(Sub-sections (a), (b), and (c) of said Section 14 remain unchanged.)

(9) That Section 23 of applicant's Exhibit No. 1 in this case is hereby amended to read in its entirety as follows:

"SECTION 23. EFFECTIVE DATE AND TERM. This Agreement shall become effective upon approval by the Supervisor and the Land Commissioner, and, in accordance with Section 65-14-8, by the Commission.

This Agreement, or notice thereof, together with a certificate by the Unit Operator so stating the effective date shall be filed for record in the office of the County Clerk of Chaves County, New Mexico.



The term of this Agreement shall be for and during the time that Unitized Substances are produced from the unitized land and so long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days unless sooner terminated as herein provided.

This Agreement may be terminated with the approval of the Land Commissioner and the Supervisor by Working Interest Owners owning eighty percent (80%) of the Unit Participation then in effect whenever such Working Interest Owners determine that Unit Operations are no longer profitable, or in the interest of conservation. Upon approval, such termination shall be effective as of the first day of the month after said Working Interest Owners' determination. Notice of any such termination shall be filed by Unit Operator in the office of the County Clerk of Chaves County, New Mexico, within thirty (30) days of the effective date of termination.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this Agreement had never been entered into.

If not otherwise provided by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit Operations."

(10) That Exhibit "C" of applicant's Exhibit No. 1 in this case is hereby amended to conform to Commission Exhibit I attached hereto and made a part hereof.

(11) That the applicant herein, Burk Royalty Company, shall, within 45 days after entry of this order, file with the Commission an amended Exhibit "E" to its Exhibit No. 2 in this case. Said Exhibit "E", as amended, shall reflect the several working interest owners' Unit Participation Percentages under Phase I and Phase II of unit operations as calculated pursuant to the revised Exhibit "C" of the Double L Queen Unit Agreement as depicted by Commission Exhibit I attached hereto.

(12) That the Double L Queen Unit Agreement and the Double L Queen Unit Operating Agreement, amended in accordance herewith, provide for unitization and unit operation of the subject portion of the Double L Queen Pool upon terms and conditions that are fair, reasonable and equitable and include:

an allocation to the separately owned tracts in the unit area of all the oil and gas that is produced from the unit area and is saved, being the production that is not used in the conduct of operations on the unit area or not unavoidably lost;

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;

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 the unit production allocated to an owner who does not pay the share of the costs of unit operations charged to such owner, or the interest of such owner, may be sold and the proceeds applied to the payment of such costs;

a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon such terms and conditions determined by the commission to be just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production, provided that any nonconsenting working interest owner being so carried shall be deemed to have relinquished to the unit operator all of its operating rights and working interest in and to the unit until his share of the costs, service charge and interest are repaid to the unit operator;

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;

a provision for a voting procedure for the decision of matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to its unit participation; and

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;

and are therefore hereby adopted.

(13) That this order shall not become effective unless and



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until the appropriate ratification provisions of Section 65-14-8 NMSA, 1953 Compilation, are complied with nor until a revised Exhibit "E" reflecting amended participation factors in accordance with Exhibit "C" of the unit agreement shall be filed with the Commission.

(14) That if the persons owning the required percentage of interest in the unit area as set out in Section 65-14-8 NMSA, 1953 Compilation, do not approve the plan for unit operations within a period of six months from the date of entry of this order, this order shall cease to be of further force and effect and shall be revoked by the Commission, unless the Commission shall extend the time for ratification for good cause shown.

(15) That when the persons owning the required percentage of interest in the unit area have approved the plan for unit operations, the interests of all persons in the unit are unitized whether or not such persons have approved the plan of unitization in writing.

(16) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman



EMERY C. ARNOLD, Member



JOE D. RAMEY, Member & Secretary

S E A L

dr/



EXHIBIT "C"  
To Unit Agreement

DOUBLE L QUEEN UNIT  
Chaves County, New Mexico  
January 1, 1975

| <u>TRACT NO.</u> | <u>TRACT PARTICIPATION %</u> |                 |
|------------------|------------------------------|-----------------|
|                  | <u>PHASE I</u>               | <u>PHASE II</u> |
| 1                | 8.0660                       | 6.4500          |
| 2                | 0.0245                       | 0.0245          |
| 3                | 5.2600                       | 4.0190          |
| 4                | 0.0520                       | 0.0520          |
| 5                | 17.4850                      | 15.3345         |
| 6                | 0.0325                       | 0.0325          |
| 7                | 1.7455                       | 2.5230          |
| 8                | 1.3550                       | 2.4580          |
| 9                | 0.0125                       | 0.0350          |
| 10               | 4.4265                       | 4.0375          |
| 11               | 0.2515                       | 0.4020          |
| 12               | 0.7250                       | 0.7895          |
| 13               | 4.3610                       | 3.8195          |
| 14               | 1.7130                       | 0.9800          |
| 15               | 5.4860                       | 5.8540          |
| 16               | 12.4170                      | 16.1630         |
| 17               | 3.5445                       | 2.9150          |
| 18               | 7.6285                       | 6.0400          |
| 19               | 6.2590                       | 5.4650          |
| 20               | 0.8130                       | 1.0130          |
| 21               | 1.3455                       | 1.7030          |
| 22               | 0.8080                       | 1.1925          |
| 23               | 2.9380                       | 4.3925          |
| 24               | <u>13.2505</u>               | <u>14.3050</u>  |
|                  | 100.0000                     | 100.0000        |

Commission Exhibit I  
Order No. R-5164