

Entered December 23, 1977
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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. 6070
Order No. R-5594

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 20, 1977, at Santa Fe, New Mexico, before the Commission.

NOW, on this 27th day of December, 1977, the Commission, a quorum being present, having considered the testimony, the record, 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, Atlantic Richfield Company, seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 65-14-1 through 65-14-21, NMSA, 1953 Compilation, of 3080 acres, more or less, of Federal and fee lands, being a portion of the Drinkard Pool, Lea 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 East Drinkard Unit Area; that the vertical limits of said unit area would be the subsurface formation commonly known as the Drinkard formation and which is encountered between the subsurface depths of 6,450 feet and 6,730 feet as shown on the Welex Gammaray-Neutron log dated August 17, 1963, for the Sinclair Oil Company Roy Barton Well No. 3 located 1980 feet from the north line and 660 feet from the east line of Section 23, Township 21 South, Range 37 East, Lea County, New Mexico; and that the unit area would comprise the following described lands:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 11: All
Section 12: W/2 and W/2 E/2
Section 13: W/2, W/2 NE/4, and NW/4 SE/4
Section 14: All
Section 23: All
Section 24: NW/4 and W/2 SW/4

(4) That the portion of the Drinkard Pool proposed to be included in the aforesaid East Drinkard 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 sought and been granted approval to institute such a project in the East Drinkard Unit Area by Commission Order No. R-5592, dated December 27, 1977.

(6) That the unitized management, operation and further development of the subject portion of the Drinkard 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 unitized method of operation proposed by the applicant, as applied to the East Drinkard 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 applicant's proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the East Drinkard Unit Area.

(10) That the applicant has made a good faith effort to secure voluntary unitization within the East Drinkard Unit Area.

(11) That the participation formula contained in the unitization agreement does 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 protect the correlative rights of all owners of interest within the unit area.

(12) That working interest owners and royalty interests representing more than 75 percent of the East Drinkard Unit Area have voluntarily agreed to the provisions of the Unit Agreement.

(13) That the East Drinkard Unit Agreement and the East Drinkard Unit Operating Agreement, as filed with the Commission by the applicant in this case, should be incorporated by reference into this order.

(14) That the Statutory Unitization of the East Drinkard Unit Area, in conformance to the above findings, should be approved.

THE COMMISSION FURTHER FINDS:

(15) That to prevent the drilling of unnecessary wells and to efficiently lift the large volumes of fluids anticipated under waterflood operations, downhole commingling and surface commingling of the Blinebry Oil and Gas Pool and the Drinkard Pool within the East Drinkard Unit Area as defined in this order and the East Blinebry Unit Area as defined in Commission Order No. R-5593 should be authorized.

(16) That the commingled production be allocated 64.544 percent to the Blinebry Oil and Gas Pool and 35.456 percent to the Drinkard Pool.

IT IS THEREFORE ORDERED:

(1) That the East Drinkard Unit Agreement covering 3080 acres, more or less, of Federal and fee lands in the Drinkard Pool, Lea County, New Mexico, is hereby approved for statutory unitization pursuant to the Statutory Unitization Act.

(2) That the lands covered by said East Drinkard Unit Agreement shall be designated the East Drinkard Unit Area and shall comprise:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 11: All
Section 12: W/2 and W/2 E/2
Section 13: W/2, W/2 NE/4 and NW/4 SE/4
Section 14: All
Section 23: All
Section 24: NW/4 and W/2 SW/4

(3) That the vertical limits of the East Drinkard Unit Area shall be the Drinkard formation as found between the subsurface depths of 6,450 feet and 6,730 feet as shown on the Welex Gammaray-Neutron log dated August 17, 1963, for the Sinclair Oil Company Roy Barton Well No. 3 located 1980 feet from the north line and 660 feet from the east line of Section 23, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

(4) That the applicant, Atlantic Richfield Company, is hereby authorized to institute a waterflood project in the East Drinkard Unit Area, Drinkard Pool, Lea County, New Mexico, pursuant to the provisions set forth in Commission Order No. R-5592.

(5) That the East Drinkard Unit Agreement and the East Drinkard Unit Operating Agreement, as filed with the Commission by the applicant in this case, are hereby incorporated by reference into this order.

(6) That the East Drinkard Unit Agreement and East Drinkard Unit Operating Agreement provide for unitization and unit operation of the subject portion of the Drinkard 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 hereby 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.

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(7) That this order shall not become effective unless and until the appropriate ratification provisions of Section 65-14-8 NMSA, 1953 Compilation, are complied with.

(8) 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.

(9) 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.

IT IS FURTHER ORDERED:

(10) That the applicant is authorized to downhole commingle and surface commingle production from the Blinebry Oil and Gas Pool and the Drinkard Pool within the East Drinkard Unit Area as defined in this order and the East Blinebry Unit Area as defined in Commission Order No. R-5593.

(11) That the commingled production be allocated 64.544 percent to the Blinebry Oil and Gas Pool and 35.456 percent to the Drinkard Pool.

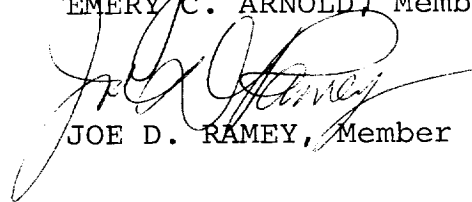
(12) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

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