

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. 9673  
Order No. R-8957

APPLICATION OF GRAND RESOURCES,  
INC. FOR A UNIT AGREEMENT, SAN  
JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 24, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of June, 1989, 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, Grand Resources, Inc., seeks approval of the Mesa Gallup Unit Area for all oil and gas in the Gallup formation underlying 2,680 acres, more or less, of Navajo Indian lands described fully in Exhibit "A" attached hereto and made a part hereof.

(3) No interested party appeared and/or objected to the proposed unit agreement.

(4) All plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

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

IT IS THEREFORE ORDERED THAT:

(1) The Mesa Gallup Unit Area is hereby approved for all oil and gas in the Gallup formation underlying 2,680 acres, more or less, of Navajo Indian lands described fully in Exhibit "A" attached hereto and made a part hereof.

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or 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 party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) This order shall become effective upon the approval of said unit agreement by the Director of the appropriate agency of the United States Department of the Interior and/or the appropriate representative of the Navajo Nation;

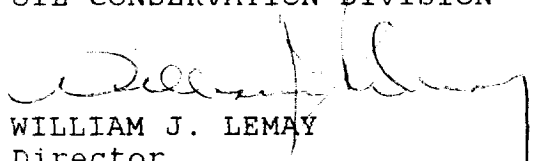
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this order shall terminate ipso facto upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) 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

S E A L

EXHIBIT "A"  
CASE NO. 9673  
ORDER NO. R-8957  
MESA GALLUP UNIT AREA

SAN JUAN COUNTY, NEW MEXICO  
TOWNSHIP 32 NORTH, RANGE 18 WEST, NMPM

Section 10: S/2 SE/4 and S/2 N/2 SE/4  
Section 13: S/2 SW/4  
Section 14: W/2, S/2 NE/4, and SE/4  
Section 15: E/2  
Sections 23 and 24: All  
Section 25: N/2

Containing 2680 acres, more or less, of  
Navajo Indian lands, all as projected  
into the unsurveyed Navajo Indian  
Reservation.