

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. 9840  
Order No. R-9090

APPLICATION OF MERRION OIL AND  
GAS CORPORATION FOR A UNIT  
AGREEMENT, MCKINLEY COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 13, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 21st day of December, 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, Merrion Oil and Gas Corporation, seeks approval of the Papers Wash Cooperative Unit Agreement for all oil and gas in the Entrada formation underlying the following described 400 acres, more or less, of State, Federal, and Indian Allotted Lands in McKinley County, New Mexico:

TOWNSHIP 19 NORTH, RANGE 5 WEST, NMPM  
Section 15: W/2  
Section 16: NE/4 SE/4 and SE/4 NE/4

(3) Division records indicate that the proposed unit area more or less encompasses the Papers Wash-Entrada Oil Pool.

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(4) The evidence and testimony presented further indicates that the applicant has applied to the Division for authorization to plug back, side track, and directionally drill horizontally through the Entrada formation in its existing Federal "15" Well No. 2 located 1980 feet from the North line and 990 feet from the West line (Unit E) of said Section 15 or, in the alternative, to drill a new well for the same purpose at an unorthodox surface location 1400 feet from the North line and 550 feet from the West line (Unit E) of said Section 15, (all being the subject of Division Case No. 9754, heard on September 6, 1989).

(5) Division records indicate that said horizontal directional drilling pilot project was approved on December 14, 1989, by Order No. R-9079.

(6) The applicant seeks to form the proposed unit to ensure that correlative rights will be protected by the drilling of the directionally drilled horizontal wellbore, and also to carry out any possible secondary recovery operations in the Papers Wash-Entrada Oil Pool which may be proposed at a later time.

(7) No interested party appeared and objected to the proposed unit agreement.

(8) 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.

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

(10) The applicant should be required, as per the provisions of Division Rule No. 701, to obtain approval for the injection of water and/or CO<sub>2</sub> within the Papers Wash Cooperative Unit Area prior to conducting any such operations.

IT IS THEREFORE ORDERED THAT:

(1) The Papers Wash Cooperative Unit Agreement is hereby approved for all oil and gas in the Entrada formation underlying the following described 400 acres, more or less,

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of State, Federal and Indian Alloted lands in McKinley  
County, New Mexico:

TOWNSHIP 19 NORTH, RANGE 5 WEST, NMPM

Section 15: W/2

Section 16: NE/4 SE/4 and SE/4 NE/4

(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.

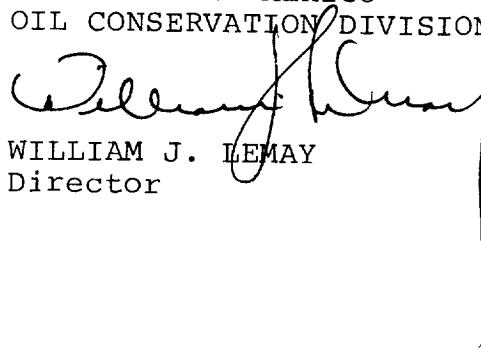
(5) This order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico, the Director of the appropriate agency of the United States Department of the Interior, and any applicable approval by the Bureau of Indian Affairs; this order shall terminate ipso facto upon the termination of said unit agreement; 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.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over the typed name and title. The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

WILLIAM J. LEMAY  
Director

S E A L

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