

**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. 10515
Order No. R-9710**

**APPLICATION OF TEXACO EXPLORATION AND
PRODUCTION INC. FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 23, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of August, 1992, 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) Division Case Nos. 10515 and 10516 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Texaco Exploration and Production Inc. (Texaco), seeks the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA, (1978), for the purpose of establishing a secondary recovery project, of all mineral interests in a portion of the Vacuum-Glorieta Pool, Lea County, New Mexico, underlying 2,778.86 acres, more or less, of state and fee lands; the applicant further seeks approval of the Unit Agreement and the Unit Operating Agreement which were submitted in evidence as applicant's Exhibits 3 and 4, respectively, in this case.

(4) The proposed unit area should be designated the Vacuum Glorieta West Unit Area; the horizontal limits of said unit area should be comprised of the following described state and fee lands in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM

Section 24: SW/4, SW/4 NW/4, SW/4 SE/4
Section 25: All
Section 26: E/2 SE/4
Section 35: NE/4, N/2 SE/4, SE/4 SE/4
Section 36: All

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM

Section 30: Lots 1, 2, 3, 4 (W/2 W/2)
Section 31: Lots 1, 2, 3, 4 (W/2 W/2)

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 1: Lots 1, 2, 3, 4 (N/2 N/2), S/2 NE/4
Section 2: Lot 1 (NE/4 NE/4)

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 6: Lots 1, 2, 3, 4, 5, SE/4 NW/4, S/2 NE/4, (N/2)

(5) The vertical limits of the Unit Area should comprise the correlative interval containing the Glorieta and Paddock formations as found from a depth of 5,838 feet to a depth of 6,235 feet on the Schlumberger Sonic Log run on the Mobil Bridges State Well No. 95 located in the SE/4 SE/4 (Unit P) of Section 26, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico.

(6) Said unit has been approved by the Commissioner of Public Lands for the State of New Mexico, subject to the approval of the statutory unitization by the Division.

(7) No interested party appeared in opposition to the unitization nor to the vertical limits of the proposed unit area.

(8) The Unit Area contains 21 separate tracts owned by 6 different working interest owners.

(9) The applicant has made a good faith effort to secure voluntary unitization within the unit area and as of the date of hearing, over 84% of the working interest owners and over 96% of the royalty interest owners were effectively committed to the unit or have balloted to join the unit.

(10) Texaco is seeking authority to institute an enhanced recovery project, for the recovery of oil and associated gas, condensate, and all associated liquefiable hydrocarbons within and to be produced from the proposed unit area (being the subject of Case No. 10516).

(11) Enhanced recovery operations by waterflood should result in additional recovery from the unit area of approximately 14.5 million barrels of oil.

(12) The unitized management, operation and further development of the Vacuum Glorieta West Unit Area, as proposed, is reasonably necessary to effectively carry on enhanced recovery operations and will substantially increase the ultimate recovery of oil and gas from the unitized portion of the pool.

(13) The proposed unitized method of operation as applied to the Vacuum Glorieta West Unit Area is feasible and will result with reasonable probability in the increased recovery of substantially more oil and gas from the unitized portion of the pool than would otherwise be recovered without unitization.

(14) The estimated additional costs of the proposed unitized operations will not exceed the estimated value of the additional oil and gas so recovered plus a reasonable profit.

(15) The Phase I and Phase II participation formulas contained in the Unitization Agreement allocate the produced and saved unitized substances to the separately owned tracts in the unit area on a fair, reasonable and equitable basis.

(16) Unitization and adoption of applicant's proposed unitized method of operation will benefit the working interest owners and the royalty interest owners of the oil and gas rights within the Vacuum Glorieta West Unit.

(17) The applicant's Exhibits 3 and 4 in this case, being the Unit Agreement and the Unit Operating Agreement, respectively, should be incorporated by reference into this order.

(18) The Vacuum Glorieta West Unit Agreement and Unit Operating Agreement, as applied to the unit area, provide for unitization and unit operation of the Vacuum Glorieta West Unit Area upon terms and conditions that are fair, reasonable and equitable and which include:

- (a) An allocation to the separately owned tracts of the unit area of all oil and gas that is produced from the unit area and which is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;
- (b) A provision for the credits and charges to be made and 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;
- (c) 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 such costs shall be charged to such owner, or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;
- (d) A provision for carrying any working interest owner on a limited, carried or net profits basis, payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable;
- (e) A provision designating the unit operator and providing for 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;
- (f) 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 his unit participation; and
- (g) The time when the unit operations shall commence and the manner in which, and the circumstances under which, the unit operations shall terminate and for the settlement of accounts upon such termination.

(19) The statutory unitization of the Vacuum Glorieta West Unit Area is in conformity with the above findings, and will prevent waste and protect the correlative rights of all owners of interest within the proposed unit area, and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The Vacuum Glorieta West Unit Area comprising some 2778.86 acres, more or less, being a portion of the Vacuum Glorieta Pool, Lea County, New Mexico, is hereby approved for statutory unitization pursuant to the provisions of the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA, (1978).

(2) The unit area shall be designated the Vacuum Glorieta West Unit Area; the horizontal limits of said Unit Area shall comprise the following described state and fee lands in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM

Section 24: SW/4, SW/4 NW/4, SW/4 SE/4
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TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 6: Lots 1, 2, 3, 4, 5, SE/4 NW/4, S/2 NE/4, (N/2)

(3) The vertical limits of the Vacuum Glorieta West Unit Area shall comprise the correlative interval containing the Glorieta and Paddock formations as found from a depth of 5,838 feet to a depth of 6,235 feet on the Schlumberger Sonic Log run on the Mobil Bridges State Well No. 95 located in the SE/4 SE/4 (Unit P) of Section 26, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico.

(4) The applicant shall institute a waterflood project for the secondary recovery of oil, gas and all associated liquefiable hydrocarbons within and produced from the unit area, said waterflood project being the subject of Division Case No. 10516.

(5) The Unit Agreement and the Unit Operating Agreement for the Vacuum Glorieta West Unit, presented as evidence in this case, are hereby incorporated by reference into this Order.

(6) The Unit Agreement and the Unit Operating Agreement for the Vacuum Glorieta West Unit provide for unitization and unit operation of the Unit Area upon terms and conditions that are fair, reasonable and equitable and include:

- (a) An allocation to the separately owned tracts of the unit area of all oil and gas that is produced from the unit area and which is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;
- (b) A provision for the credits and charges to be made and 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;
- (c) 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 such costs shall be charged to such owner, or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;
- (d) A provision for carrying any working interest owner on a limited, carried or net profits basis, payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable;
- (e) A provision designating the unit operator and providing for 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;
- (f) 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 his unit participation; and

- (g) The time when the unit operations shall commence and the manner in which, and the circumstances under which, the unit operations shall terminate and for the settlement of accounts upon such termination.

(7) This order shall not become effective unless and until seventy-five percent of the working interest owners and seventy-five percent of the royalty interest owners in the unit area have approved the plan for unit operations as required by Section 70-7-8 NMSA, (1978) Comp.

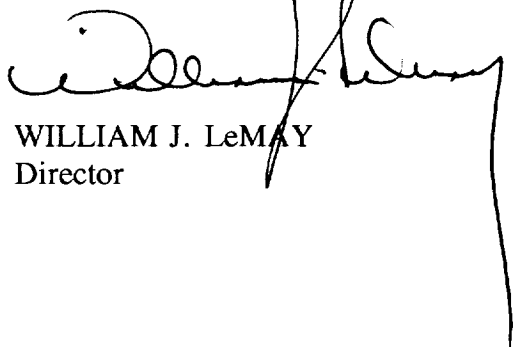
(8) If the persons owning the required percentage of interest in the unit area as set out in Section 70-7-8 NMSA, (1978) Comp., do not approve the plan for unit operations within a period of six (6) months from the date of entry of this order, this order shall cease to be of further force and effect and shall be revoked by the Division, unless the Division shall extend the time for ratification for good cause shown.

(9) 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 Area are unitized whether or not such persons have approved the plan of unitization in writing.

(10) 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

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

WILLIAM J. LeMAY
Director

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