

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. 10647
ORDER NO. R-9885

**APPLICATION OF SEELY OIL COMPANY 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 March 18, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of April, 1993 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) At the time of the hearing, this case was consolidated with Case No. 10648 for the purpose of testimony.

(3) The applicant, Seely Oil Company, seeks 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 in the EK Yates-Seven Rivers-Queen Pool, said unit to be designated the Central EK Queen Unit Area with horizontal limits comprising the following described lands in Lea County, New Mexico, containing 1148.40 acres, more or less, of state lands. The applicant further seeks approval of the Unit Agreement, Unit Operating Agreement, and Unit Participation Agreement which were submitted in evidence as Exhibits 1, 6 and 2, respectively.

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 12: SE/4 NE/4 and E/2 SE/4

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 7: Lots 2, 3 and 4, SW/4 NE/4, SE/4 NW/4, E/2 SW/4, and SE/4
Section 8: SW/4 and S/2 SE/4
Section 9: W/2 SW/4
Section 16: NW/4 NW/4
Section 17: N/2 N/2
Section 18: N/2 NE/4

(4) The vertical limits of said unit area or "Unitized Formation" is defined as that stratigraphic interval occurring between a point 100 feet above the top of the Queen Sand and 100 feet below the base of the Queen Sand. Said Queen Sand interval occurs between 4366 feet and 4426 feet in the General Operating Company Santa Fe State Well No. 2 located 330 feet from the North line and 990 feet from the East line (Unit A) of Section 18, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico as recorded on the Welex compensated density dual spaced neutron log of said well dated January 20, 1986.

(5) At the time of the hearing, the applicant requested that the horizontal limits of the proposed unit area be amended by deleting 160 acres comprising the SE/4 NE/4 and E/2 SE/4 of Section 12, Township 18 South, Range 33 East, NMPM, and the NW/4 NW/4 of Section 16, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico.

(6) Also at the hearing the applicant requested this matter be approved as a voluntary unit in anticipation that 100 percent of the working interests and royalty interests will agree to participate in the proposed unit area.

(7) The proposed unit should therefore be approved as a voluntary unit agreement at this time.

(8) No interested party appeared and objected to the proposed unit area or proposed plans for a waterflood project.

(9) 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.

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

IT IS THEREFORE ORDERED THAT:

(1) The application of Seely Oil Company for the Central EK Queen Unit, covering 988.40 acres, more or less, of state lands in the EK Yates-Seven Rivers-Queen Pool, Lea County, New Mexico, for the purpose of establishing a secondary recovery project is hereby approved for voluntary unitization.

(2) The land covered by said Central EK Queen Unit Agreement shall be designated the Central EK Queen Unit Area and shall comprise the following described lands in Lea County, New Mexico.

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 7: Lots 2, 3 and 4, SW/4 NE/4, SE/4 NW/4, E/2 SW/4, and SE/4
Section 8: SW/4 and S/2 SE/4
Section 9: W/2 SW/4
Section 17: N/2 N/2
Section 18: N/2 NE/4

(3) The vertical limits of said unit area or "Unitized Formation" is defined as that stratigraphic interval occurring between a point 100 feet above the top of the Queen Sand and 100 feet below the base of the Queen Sand. Said Queen Sand interval occurs between 4366 feet and 4426 feet in the General Operating Company Santa Fe State Well No. 2 located 330 feet from the North line and 990 feet from the East line (Unit A) of Section 18, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico as recorded on the Welex compensated density dual spaced neutron log of said well dated January 20, 1986.

(4) The applicant shall institute a waterflood project for the secondary recovery of oil and associated gas, condensate and all associated liquefiable hydrocarbons within and produced from the unit area, and said waterflood project is the subject of Division Case No. 10648.

(5) The Central EK Queen Unit Agreement, Central EK Queen Unit Operating Agreement and the Unit Participation Formula, which were submitted to the Division at the time of the hearing as Exhibits 1, 6 and 2, respectively, are hereby associated by reference into this order.

(6) 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, 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 unit and production of oil and gas therefrom.

(7) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within sixty days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within thirty days thereafter, counterparts of the unit agreement reflecting the subscription of those interests which have been joined or ratified.

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

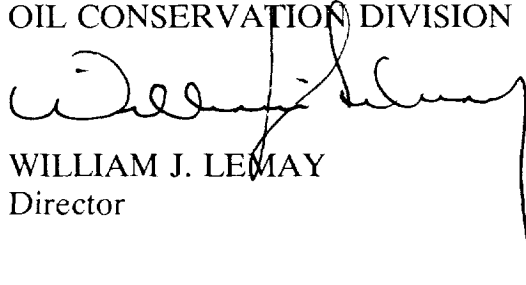
(9) This order shall become effective upon approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; this order shall terminate ipso facto upon termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(10) The portion of the subject application seeking statutory unitization of the Central EK Queen Unit Area is hereby dismissed.

(11) 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

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