

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8952
Order No. R-8344

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORPORATION FOR STATUTORY
UNITIZATION, RIO ARriba COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION:

BY THE COMMISSION:

This cause came on for hearing at 9:00 o'clock a.m. on October 24, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of November, 1986, the Commission, a quorum being present, having considered the testimony, the record, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The Applicant, Benson-Montin-Greer Drilling Corp., seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21, N.M.S.A., 1978 Compilation, of 69,567.235 acres, more or less, of federal, state and fee lands, being a portion of the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, and approval of the plan of unitization and the proposed operating plan.

(3) The proposed unit area should be designated the Canada Ojitos Unit Area; the vertical limits of said unit area will be the subsurface formation commonly known as the Mancos formation identified between the depths of 6968 feet and 7865 feet on the Schlumberger Induction Electrical Log, dated June 18, 1963, in the Canada Ojitos 0-9 Well (previously the Bolack-Greer No. 1 Bolack) located 1080 feet from the South line and 1920 feet from the East line of Section 9, Township 26 North, Range 1 West, NMPM, Rio Arriba County, New Mexico, and

is to include all subsurface points throughout the unit area correlative to those identified depths, and the unit area should comprise the following described lands:

RIO ARRIBA COUNTY, NEW MEXICO

Township 24 North, Range 1 East, NMPM

Sections 6 and 7: All

Section 8: W/2

Section 17: W/2

Section 18: All

Section 19: N/2

Section 20: NW/4

Township 24 North, Range 1 West, NMPM

Sections 1 through 15: All

Section 23: N/2

Section 24: N/2

Township 25 North, Range 1 East, NMPM

Sections 5 through 8: All

Sections 17 through 20: All

Section 29: W/2

Sections 30 and 31: All

Township 25 North, Range 1 West, NMPM

Sections 1 through 36: All

Township 26 North, Range 1 East, NMPM

Section 19: All

Section 20: W/2

Sections 29 through 32: All

Township 26 North, Range 1 West, NMPM

Sections 1 through 36: All

(4) The portion of the West Puerto Chiquito-Mancos Oil Pool proposed to be included in the aforesaid Canada Ojitos Unit Area has been reasonably defined by development.

(5) The Applicant operates a pressure maintenance project for the secondary recovery of oil and gas in the proposed unit area.

(6) The unitized management, operation and further development of the subject portion of the West Puerto Chiquito-Mancos Oil 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) The proposed unitized method of operation as applied to the Canada Ojitos 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) The estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered plus a reasonable profit.

(9) Such unitization and adoption of the proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Canada Ojitos Unit Area.

(10) The Applicant has made a good faith effort to secure voluntary unitization within the West Puerto Chiquito-Mancos Oil Pool.

(11) The participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable and equitable basis, and protects the correlative rights of all owners of interest within the unit area.

(12) The Unit Agreement and the Unit Operating Agreement admitted into evidence in this case should be incorporated by reference into this order.

(13) The Statutory Unitization of the Canada Ojitos Unit Area, in conformance to the above findings, will prevent waste and protect correlative rights and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The Canada Ojitos Unit Agreement, covering 69,567.235 acres, more or less, of federal, state and fee lands in the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, is hereby approved for statutory unitization pursuant to the Statutory Unitization Act, Sections 70-7-1 through 70-7-21, NMSA, 1978 Compilation.

(2) The lands covered by said Canada Ojitos Unit Agreement shall be designated the Canada Ojitos Unit Area and shall comprise:

RIO ARRIBA COUNTY, NEW MEXICO

Township 24 North, Range 1 East, NMPM
Sections 6 and 7: All
Section 8: W/2
Section 17: W/2
Section 18: All
Section 19: N/2
Section 20: NW/4

Township 24 North, Range 1 West, NMPM
Sections 1 through 15: All
Section 23: N/2
Section 24: N/2

Township 25 North, Range 1 East, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Section 29: W/2
Sections 30 and 31: All

Township 25 North, Range 1 West, NMPM
Sections 1 through 36: All

Township 26 North, Range 1 East, NMPM
Section 19: All
Section 20: W/2
Sections 29 through 32: All

Township 26 North, Range 1 West, NMPM
Sections 1 through 36: All

(3) The vertical limits of the Canada Ojitos Unit Area shall be the Mancos formation identified between the depths of 6968 feet and 7865 feet on the Schlumberger Induction Electrical Log dated June 18, 1963, in the Canada Ojitos 0-9 Well (previously the Bolack-Greer No. 1 Bolack), located 1080 feet from the South line and 1920 feet from the East line of Section 9, Township 26 North, Range 1 West, NMPM, Rio Arriba County, New Mexico, and is to include all subsurface points throughout the unit area correlative to those identified depths.

(4) The Canada Ojitos Unit Agreement, admitted into evidence in this case as a portion of Exhibit 1, is hereby incorporated by reference into this order.

(5) The Canada Ojitos Unit Operating Agreement, admitted into evidence in this case as a portion of Exhibit 1, is hereby incorporated by reference into this order.

(6) The Canada Ojitos Unit Agreement and the Canada Ojitos Unit Operating Agreement provide for unitization and unit operation of the subject portion of the West Puerto Chiquito-Mancos Oil 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 determined by the Division Director to be just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production, including a two hundred percent nonconsent penalty, 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, including a two hundred percent nonconsent penalty;

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 deciding matters by the working interest owners which states that 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.

(7) This order shall become effective at 7:00 o'clock a.m. on the first day of the month following the month in which appropriate ratification of the Canada Ojitos Unit Agreement and Canada Ojitos Unit Operating Agreement is obtained pursuant to Section 70-7-8, N.M.S.A., 1978 Compilation.

(8) If the persons owning the required percentage of interest in the unit area as set out in Section 70-7-8, N.M.S.A., 1978 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.

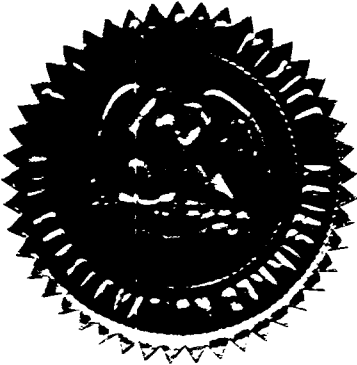
(9) When the persons owning the required percentage of interest in the unit area have approved the plan for unit operations, the interests of all persons in the unit are unitized whether or not such persons have approved the plan of unitization in writing.

(10) Jurisdiction of this cause is retained for the entry of such further orders as the Commission 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 COMMISSION



S E A L

dr/

JIM BACA, Member

A handwritten signature in cursive script, appearing to read "Ed Kelley".

ED KELLEY, Member

A handwritten signature in cursive script, appearing to read "R. L. Stamets".

R. L. STAMETS, Secretary and
Chairman