

BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION :  
OF J. CLEO THOMPSON AND JAMES CLEO :  
THOMPSON, JR., A PARTNERSHIP, FOR :  
AN EXCEPTION TO RULE 104.C.I :  
\_\_\_\_\_ :

CASE NO. 8374

APPLICATION

COMES NOW J. Cleo Thompson and James Cleo Thompson, Jr., a partnership, and in support hereof, respectfully states.

1. Applicant is the operator of the West Square Lake Unit Area, Eddy County, New Mexico, approved herein in Case No. 7945, Order No. R-7375, on October 20, 1983.

2. Applicant seeks an exception to Rule 104.C.I to permit Applicant to develop its West Square Lake Unit Area with a five-spot drilling pattern on each 40-acre tract, in preparation for an active secondary recovery project.

WHEREFORE, Applicant prays:

A. That this Application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That the Division enter its order authorizing Applicant to develop its West Square Lake Unit Area with a five-spot pattern on each 40-acre tract, in preparation for an active secondary recovery project.

C. And for such other and further relief as may be just in the premises.

J. CLEO THOMPSON AND JAMES CLEO THOMPSON, JR., a partnership

By:   
Chad Dickerson  
P. O. Drawer 239  
Artesia, New Mexico 88210  
(505) 746-3508

Attorneys for Applicant

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7945  
Order No. R-7375

APPLICATION OF J. CLEO THOMPSON  
FOR STATUTORY UNITIZATION, EDDY  
COUNTY, NEW MEXICO.

*See Also  
Order No.  
R-7375-B*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 12, 1983, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 20th day of October, 1983, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, J. Cleo Thompson, seeks the statutory unitization of its proposed West Square Lake Unit Area covering 3320 acres, more or less, of State and Federal lands described as follows:

EDDY COUNTY, NEW MEXICO

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM

Section 26: SE/4 and S/2 NE/4  
Section 32: E/2 SE/4 and SE/4 NE/4  
Sections 33 through 35: All  
Section 36: S/2

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 2: N/2 N/2  
Section 4: N/2, SE/4, N/2 SW/4, and  
SE/4 SW/4

(3) That the unitization is proposed for the purpose of instituting a secondary recovery project in the Grayburg and San Andres formations.

(4) That at the time of the hearing, all requisites for statutory unitization had not been accomplished and that part of the subject application should be dismissed.

(5) That the proposed unit should be approved as a voluntary unit agreement.

(6) That 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.

(7) That approval of the proposed voluntary unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the West Square Lake Unit Agreement (voluntary) is hereby approved.

(2) That 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) That 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; that 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) That 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

Case No. 7945  
Order No. R-7375

submitted to the Director of the Oil Conservation Division for approval.

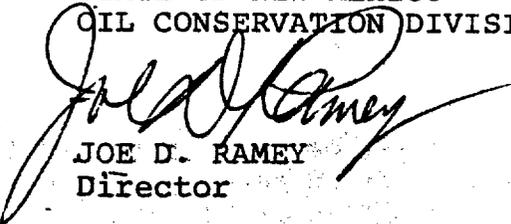
(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of Interior; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Division immediately in writing of such termination.

(6) That that portion of the subject application seeking statutory unitization of the West Square Lake Unit Area is hereby dismissed.

(7) That 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



JOE D. RAMEY  
Director

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7945  
Order No. R-7375-A

APPLICATION OF J. CLEO THOMPSON  
AND JAMES CLEO THOMPSON, JR., A  
PARTNERSHIP, FOR STATUTORY UNITI-  
ZATION, EDDY COUNTY, NEW MEXICO.

*See Also  
Order No.  
R-7375*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on October 12, 1983, and April 11, 1984, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of May, 1984, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That Division Order No. R-7375 entered on October 20, 1983, established the West Square Lake Unit as a voluntary unit agreement in Eddy County, New Mexico.

(3) That the applicant, J. Cleo Thompson and James Cleo Thompson, Jr., a partnership, now seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21, NMSA, 1978, of 3,320 acres, more or less, for purposes of secondary recovery, being the West Square Lake Unit; that applicant further seeks approval of the Unit Agreement and Unit Operating Agreement which were submitted in evidence as applicant's Exhibits Nos. 2 and 3, respectively, in this case.

(4) That the horizontal limits of said West Square Lake Unit should be amended to comprise the following described

lands in Eddy County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM

Section 26: SE/4 and S/2 NE/4  
Section 32: SE/4 NE/4 and E/2 SE/4  
Sections 33 through 35: All  
Section 36: SE/4, N/2 SW/4, and  
SE/4 SW/4

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 2: N/2 N/2  
Section 4: E/2, NW/4, N/2 SW/4, and  
SE/4 SW/4

containing 3,320 acres, more or less.

(5) That the vertical limits of said West Square Lake Unit should comprise the stratigraphic interval underlying the Unit area which is productive of unitized substances having been heretofore found to occur in the Newmont Oil Company Etz "C" Well No. 1 (located in Section 34, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico) at an indicated depth of from 2,818 feet to 3,150 feet, as recorded on the Borehole Compensated Sonic Gamma log measured from a kelley bushing elevation of 3,740 feet above sea level.

(6) That the acreage proposed to be included in the aforesaid West Square Lake Unit has been reasonably defined by development.

(7) That the applicant proposes to institute a waterflood project for the secondary recovery of oil, gas, gaseous substances, sulfur contained in gas, condensate, distillate and all associated and constituent liquid or liquefied hydrocarbons within and to be produced from the proposed unit area, pursuant to Orders Nos. R-1354, R-2823, R-3156, and amendments thereto.

(8) That the proposed secondary recovery operations should result in the additional recovery of not less than 30,000 barrels of oil for each ten acres, with the initial development program to be instituted within ten months of approval hereof by two five-well pilots.

(9) That the unitized management, operation and further development of the West Square Lake Unit, as proposed, is reasonably necessary to effectively carry on secondary recovery operations and will substantially increase the ultimate recovery of oil and gas from the unitized portion of the pool.

(10) That the proposed unitized method of operation as applied to the West Square Lake Unit 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.

(11) That the estimated additional investment and operating costs of the proposed secondary recovery operations in the initial development program is approximately \$700,000.

(12) That the estimated additional costs of the proposed operations (as described in Finding No. (11) above) will not exceed the estimated value of the additional oil and gas plus a reasonable profit.

(13) That the applicant, the designated Unit Operator pursuant to the Unit Agreement and the Unit Operating Agreement, has made a good faith effort to secure voluntary unitization within the West Square Lake Unit.

(14) That the unitization program and Unit Agreement have been executed by 100% of the working interest owners, and approximately 89% of the non-cost bearing interests, including fee overriding royalty owners, the State of New Mexico, and the Bureau of Land Management on behalf of the United States, subject to final approval.

(15) That there are certain interest owners in the proposed unit area who have declined to voluntarily join the unit.

(16) That the participation formula contained in the unitization agreement allocates the produced and saved unitized substances to the separately owned tracts in the unit area on a fair, reasonable and equitable basis.

(17) That unitization and the 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 West Square Lake Unit Area.

(18) That applicant's Exhibits Nos. 2 and 3 in this case, being the Unit Agreement and the Unit Operating Agreement, respectively, should be incorporated by reference into this order.

(19) That the West Square Lake Unit Agreement and the West Square Lake Unit Operating Agreement provide for unitization and unit operation of the West Square Lake Unit Area

upon terms and conditions that are fair, reasonable and equitable and which include:

(a) an allocation to the separately owned tracts in 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 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;

(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 the unit production allocated to an owner who does not pay his share of the costs of unit operations 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 such terms and conditions determined by the division to be just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production; provided that any non-consenting 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;

(e) 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;

(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 operations shall terminate and for the settlement of accounts upon such termination.

(20) That the statutory unitization of the West Square Lake Unit in conformity with the above findings should be approved.

IT IS THEREFORE ORDERED:

(1) That the West Square Lake Unit, comprising 3,320 acres, more or less, Eddy 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.

(2) That the lands included within the West Square Lake Unit shall be comprised of the following described lands in Eddy County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM

Section 26: SE/4 and S/2 NE/4  
Section 32: SE/4 NE/4 and E/2 SE/4  
Sections 33 through 35: All  
Section 36: SE/4, N/2 SW/4, and  
SE/4 SW/4

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 2: N/2 N/2  
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SE/4 SW/4

containing 3,320 acres, more or less.

(3) That the vertical limits of said West Square Lake Unit shall comprise the stratigraphic interval underlying the Unit Area which is productive of unitized substances having been heretofore found to occur in the Newmont Oil Company Etz "C" Well No. 1 (located in Section 34, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico) at an indicated depth of from 2,818 feet to 3,150 feet, as recorded on the Borehole Compensated Sonic Gamma log measured from a kelley bushing elevation of 3,740 feet above sea level.

(4) That the applicant shall institute a waterflood project for the secondary recovery of oil, gas, gaseous substances,

sulfur contained in gas, condensate, distillate and all associated and constituent liquid or liquefied hydrocarbons within and produced from the unit area, pursuant to Orders Nos. R-1354, R-2823, R-3156, and amendments thereto.

(5) That the West Square Lake Unit Agreement and the West Square Lake Unit Operating Agreement are approved and adopted and incorporated by reference into this Order subject to compliance with the appropriate ratification provisions of Section 70-7-8, NMSA, 1978.

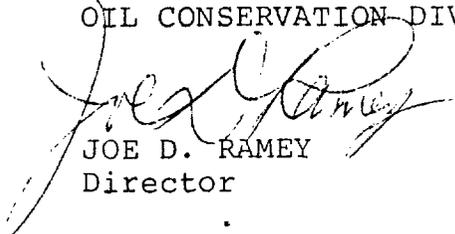
(6) That when the persons owning the required percentage of interest in the unit area have approved or ratified the Unit Agreement and the Unit Operating Agreement, the interests of all persons within the unit area are unitized whether or not such persons have approved the Unit Agreement or the Unit Operating Agreement in writing.

(7) That the applicant as Unit Operator shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the unit area.

(8) That jurisdiction of this case 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

  
JOE D. RAMEY  
Director

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