

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
JOHN F. BEMIS

GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

October 30, 1986

RECEIVED

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HAND DELIVERED

OIL CONSERVATION DIVISION

R. L. Stamets, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

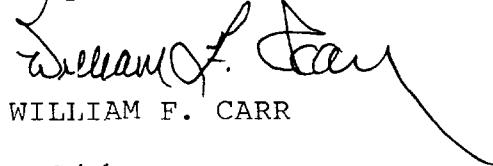
Re: OCC Case No. 8952: Application of
Benson-Montin-Greer Drilling Corp.
for Statutory Unitization,
Rio Arriba County, New Mexico.

Dear Mr. Stamets:

Enclosed is a proposed order granting the application
of Benson-Montin-Greer Drilling Corp. in the above-
referenced case.

Your attention to this matter is appreciated.

Very truly yours,


WILLIAM F. CARR

WFC/ab
Enclosure

CASES

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 8952
Order No. R-_____

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORP. FOR STATUTORY UNITI-
ZATION, 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 _____ day of October, 1986, the Commission, a quorum having been present, having considered the testimony, the record, and being fully advised in the premises,

FINDS ~~That~~:

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

(2) ~~That~~ 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 Pool, Rio Arriba County, New Mexico, and approval of the plan of unitization and the proposed operating plan.

(3) ~~That~~ the proposed unit area should be designated the Canada Ojitos Unit Area; ~~that~~ the vertical limits of said unit area ~~would~~ 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 July 18, 1986, 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, N.M.P.M., Rio Arriba County, New Mexico, and is to

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

Township 24 North, Range 1 East, N.M.P.M.

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, N.M.P.M.

Sections 1 through 15: All
Section 23: N/2
Section 24: N/2

Township 25 North, Range 1 East, N.M.P.M.

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} ~~East~~, N.M.P.M.

Sections 1 through 36: All

Township 26 North, Range 1 East, N.M.P.M.

Section 19: All
Section 20: W/2
Sections 29 through 32: All

Township 26 North, Range 1 West, N.M.P.M.

Sections 1 through 36: All

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

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

(6) ~~That~~ the unitized management, operation and further development of the subject portion of the West Puerto Chiquito-Mancos 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) ~~That~~ 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) ~~That~~ the estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered plus a reasonable profit.

(9) ~~That~~ 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) ~~That~~ the Applicant has made a good faith effort to secure voluntary unitization within the West Puerto Chiquito-Mancos Pool.

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

(13) ~~That~~ 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:

(1) ~~That~~ 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 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, N.M.S.A., 1978 Compilation.

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

Township 24 North, Range 1 East, N.M.P.M.

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, N.M.P.M.

Sections 1 through 15: All
Section 23: N/2
Section 24: N/2

Township 25 North, Range 1 East, N.M.P.M.

Sections 5 through 8: All
Sections 17 through 20: All
Section 29: W/2
Sections 30 and 31: All

Yg - Township 25 North, Range 1 East, N.M.P.M.

Sections 1 through 36: All

Township 26 North, Range 1 East, N.M.P.M.

Section 19: All
Section 20: W/2
Sections 29 through 32: All

Township 26 North, Range 1 West, N.M.P.M.

Sections 1 through 36: All

(3) ~~That~~ 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 July 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, N.M.P.M., Rio Arriba County, New Mexico, and is to include all subsurface points throughout the unit area correlative to those identified depths.

(4) ~~That~~ the Canada Ojitos Unit Agreement, admitted into evidence in this case, is hereby incorporated by reference into this order.

(5) ~~That~~ the Canada Ojitos Unit Operating Agreement,

admitted into evidence in this case, is hereby incorporated by reference into this order.

(6) ~~That~~ 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 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;

Working
a provision for a voting procedure for ~~the decision of~~ matters ~~to be decided by~~ the working interest owners ~~in~~

*separate indented
paragraph as
those above*

which was not

~~respect to which~~ 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) ~~That~~ 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) ~~That~~ 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) ~~That~~ 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) ~~That~~ jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

S E A L

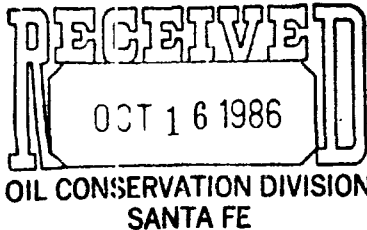
R. L. STAMETS, DIRECTOR

ED KELLEY, MEMBER

JIM BACA, MEMBER

E. MORRIS SEYDELL
PHONE 817-696-1631 - P. O. BOX 505
WICHITA FALLS, TEXAS 76307

Case 8952



October 10, 1986

*Can F/le
RLL*

Richard L. Stamets
P.O. Box 2088
New Mexico Oil Conservation Division
Santa Fe, New Mexico 87501

Re: Canada Ojitos Unit
Rio Arriba County, New Mexico
Unleased Mineral Interests

Dear Mr. Stamets,

Please be advised that we have received notice of a hearing to be held October 23, 1986, in Santa Fe, New Mexico, before the Oil Conservation Commission concerning the "Application of Benson-Montin-Greer Drilling Corp. for Statutory Unitization" for the above unit. We are mineral owners within this unit area as follows:

Lots One, Two and Three of Section 20, and North Half of the Northwest Quarter of the Southwest Quarter (N/2-NW/4-SW/4) of Section 20 all of Township 25 North, Range 1 East and the West Half of the Northwest Quarter (W/2-NW/4) of Section 21, Township 25 North, Range 1 East of the New Mexico Meridian, New Mexico.

This mineral interest, approximately 50%, is not leased. We do not care to participate in the development of this unitized area as working interest owners, but we do want to participate as mineral interest owners. We have offered to lease our minerals to Benson-Montin-Greer Drilling Corporation on a basis similar to other leases we have made in this general area. Due to the timing of the hearing, we thought it best to write directly to you so that you would be aware of our position. I am enclosing a copy of our letter offering to lease as evidence of our position.

Enclosure(1)
EMS:vek

Certified Mail
P 638 341 396
Return Receipt

Sincerely yours,

A handwritten signature in dark ink, appearing to read "E. Morris Seydell", written in a cursive style.

E. Morris Seydell, Agent
Mineral Division
C.W. Cahoon, Jr. Estate

E. MORRIS SEYDELL

PHONE 817-696-1631 - P. O. BOX 505

WICHITA FALLS, TEXAS 76307

October 2, 1986

Mr. Albert R. Greer
BENSON-MONTIN-GREER DRILLING CORP.
221 Petroleum Center Bldg.
Farmington, New Mexico 87401

Re: Canada Ojitos Unit
Rio Arriba Co., N. M.
Unleased Mineral Interests

Dear Mr. Greer:

I wish to acknowledge receipt of your letter of September 29, 1986. We have reviewed this matter with other unleased mineral interests and they agree they would enter into an Oil and Gas Lease under the terms as set out in the enclosed Lease made with AMOCO. The bonus of \$467.67 per mineral weighted acre would be satisfactory as stated in your letter.

We are confused as to why you have not included the acreage in Section 21-25N-1E, being the W/2-NW/4 & N/2-NW/4-SW/4 which we understand is to be included in the Unit. Our records indicate this would be a total of 155.39 surface acres. It is my understanding that the parties listed below have a like interest in both sections 20 & 21. Our records indicate the following interests:

L.J. Seydell	6.25%	B.J. Schalk	6.25%
F.K. Cahoon	6.25%	T. Shalk	6.25%
W.C. Duncan	12.50%	F. Willard	12.50%

which appears to cover 50.00% of the mineral interest.

This office will look forward to your response to this proposal.

Enclosures(1)
EMS:vek

Sincerely yours,



E. Morris Seydell, Agent
Mineral Division
C.W. Cahoon, Jr. Estate

Noel Reynolds
Phone (505) 334-3760
Box 356
Flora Vista, New Mexico 87415

August 1, 1986

Mr. R. L. Slamets, Director
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

*Case File
BRL*

Re: Case No. 8952, August 7, 1986
Application of Benson-Montin-Greer Drilling Corporation,
Unitization of West Puerto Chiquito-Mancos Oil Pool,
Rio Arriba County, New Mexico

Dear Mr. Slamets:

As owner of the operating rights on certain lands in Township 24 North, Range 1 East, we object to the inclusion of our acreage into the Canada Ojitos Unit Area. Specifically, the acreage is as follows:

Township 24 North, Range 1 East
Section 5: N/2, SE/4, & W/2 SW/4
Section 8: NE/4

We have operated the Noel Reynolds #1 Arellano well, located F-5-T24N-R1E, for several years.

We do not believe the operation of this well or any other well(s) that may be drilled on the above described acreage can now become a burden on the operations of the Canada Ojitos Unit.

All of the acreage described here is up-dip from the Canada Ojitos Unit and; therefore, cannot drain any of the reserves from the gravity drainage reservoir of the unit area. If drainage would occur, it would be that our acreage may be drained by the unit.

We contacted Mr. Virgil Stoabs of the Benson-Montin-Greer Drilling Corporation office in Farmington and were told that the intent of the hearing was to establish a fixed allowable for the unit.

We respectfully request that our acreage be excluded from the Canada Ojitos Unit Area.

Yours very truly,

Noel Reynolds
Noel Reynolds

xc: Benson-Montin-Greer Drilling Corporation

MANCOS WELLS

