

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

June 2, 1989

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Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 9671
ORDER NO. R-8344-A

Applicant:
**Benson-Montin-Greer
Drilling Corporation**

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other Thomas Kellahin, Owen Lopez, Perry Pearce, Kent Lund

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. 9671
ORDER NO. R-8344-A

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORPORATION TO AMEND DIVISION
ORDER NO. R-8344, RIO ARRIBA COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 2nd day of June, 1989, 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) By Division Order No. R-8344, issued in Case No. 8952 and dated November 7, 1986, the New Mexico Oil Conservation Commission authorized statutory unitization, pursuant to the New Mexico Statutory Unitization Act (Sections 70-7-1 through 70-7-21, NMSA, 1978 Compilation), for the Canada Ojitos Unit Area in the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as further described in Exhibit "A" attached hereto and made a part hereof.

(3) The applicant in the immediate case, Benson-Montin-Greer Drilling Corporation, now seeks the amendment of said Order No. R-8344 to include within the Canada Ojitos Unit Area, an additional 320 acres, comprising the E/2 of Section 12, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(4) By Division Order No. R-2565-B, dated November 28, 1966, the Division created and defined the West Puerto Chiquito-Mancos Oil Pool for the production of oil from the Mancos formation.

(5) The West Puerto Chiquito-Mancos Oil Pool, is entirely within the Canada Ojitos Unit. The applicant, Benson-Montin-Greer Drilling Corporation, is the operator of said Unit and presently conducts pressure maintenance operations as authorized by Division Order No. R-3401, as amended, within that unit.

(6) By Division Order No. R-7407, dated December 20, 1983 and made effective March 1, 1984, the Division created and defined the Gavilan-Mancos Oil Pool for the production of oil from the Niobrara member of the Mancos formation.

(7) The E/2 of Section 12, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, is currently within the boundaries of the Gavilan-Mancos Oil Pool, and is to the west of and adjacent to the Canada Ojitos Unit.

(8) Appearing in support of this application were Dugan Production Corporation and Sun Exploration and Production Company. Appearing at the hearing in opposition to the subject matter were Amoco Production Company, Mobil Exploration and Producing, U.S., Inc., Mesa Grande, Ltd., Mallon Oil Company, and Hooper, Kimball and Williams, Inc.

(9) The federal lease comprising the E/2 of said Section 12 is currently scheduled to expire by its own terms in July, 1989.

(10) At the time of the hearing, 81.25% of the working interest owners in the proposed expansion area and 89% of the working interest owners in the existing unit have authorized expanding the Canada Ojitos Unit Area to include the E/2 of said Section 12.

(11) Testimony presented at the hearing indicates that approximately 1200 barrels of primary oil actually remain under the E/2 of said Section 12; however, the applicant proposes to allocate approximately 60,000 barrels of oil to the E/2 of Section 12 pursuant to the allocation of production provisions of the Canada Ojitos Unit Operating Agreement.

(12) According to the testimony presented at the hearing the applicant does not intend to drill a well for either producing or injection purposes in the proposed expansion area.

(13) The general purpose of the New Mexico Statutory Unitization Act is to allow secondary recovery operations such that greater ultimate recovery may be achieved, waste prevented, and correlative rights protected.

(14) The subject expansion of the Canada Ojitos Unit into the E/2 of said Section 12 pursuant to the authority of the New Mexico Statutory Unitization Act should not be approved at this time for the following reasons:

- (a) The evidence and testimony presented at the hearing failed to adequately show that the inclusion of the E/2 of said Section 12 into the Canada Ojitos Unit Area is reasonably necessary to effectively carry on pressure maintenance operations therein;
- (b) The applicant failed to show that such expansion would prevent waste and would result with reasonable probability in the increased recovery of substantially more oil than would otherwise be recovered;
- (c) the proposed participation formula in this expansion is unfair and unjust; and,
- (d) the proposed expansion area is within another pool from that of the existing unit area and would be in violation of Section 70-7-6.A(1), NMSA, 1978 Compilation.

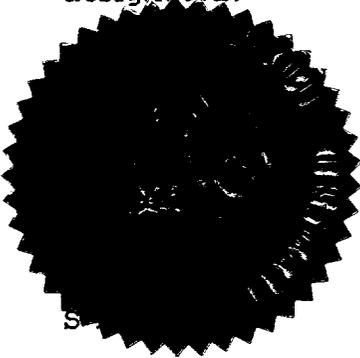
(15) This application should therefore be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of Benson-Montin-Greer Drilling Corporation for the amendment of Division Order No. R-8344 to include an additional 320 acres comprising the E/2 of Section 12, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within the existing Canada Ojitos Unit Area, pursuant to the authority of the New Mexico Statutory Unitization Act, is hereby denied.

(2) 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

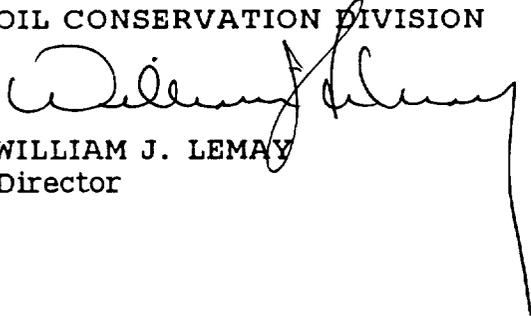

WILLIAM J. LEMAY
Director

EXHIBIT "A"
CASE NO. 9671
ORDER NO. R-8344-A
CANADA OJITOS UNIT AREA
RIO ARRIBA COUNTY, NEW MEXICO

(As Approved by Division Order No. R-8344,
dated November 7, 1986)

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

Said unit comprising 69,567.235 acres, more or less, of State, Federal and Fee lands.