

Summit Energy, Inc.

112 North First
Artesia, New Mexico 88210

October 31, 1977

Cases:
5998
6000
6069

6070

New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. Joe Ramey

Re: Proposed East Blinebry/East Drinkard Units
Lea County, New Mexico

Dear Mr. Ramey:

On October 20, 1977, Summit Energy, Inc. appeared before the NMOCC and testified concerning the Proposed East Blinebry/East Drinkard Unit. Our position at the hearing has not changed. We basically feel that if all evidence is taken into consideration by the NMOCC, the plan for unitization by Atlantic Richfield Co. will be denied.

In an attempt to rush the unitization, Atlantic Richfield concentrated on two factors in their testimony. One, that 11,000,000 barrels of oil will be lost if this unit is not approved and two, that sign up could never again be completed if this attempt to unitize is denied.

Neither of the above are true. The operators in the area will in due time, recover the secondary reserves from the Blinebry and Drinkard formations and while possibly not in the present form, other unitization plans would certainly be accepted.

This does not become a question of forced unitization. It becomes a question of, "Is unitization at the present time even necessary?" If the East side of the unit is producing at lower rates than the west side, then the present profit picture needs a close examination.

The Summit Energy, Inc., tract yields present net monthly profits of \$11,000. We expect to recover, by primary methods, a remaining primary reserve of 86,321 barrels at a future net profit undiscounted of \$1,109,889. This is an East side property.

Summit Energy, Inc.

Page 2
October 31, 1977

It is obvious that a delay of at least seven years will be profitable to the operators in the unit area on primary recovery. In this seven year period, the operators who own Tubb Gas Reserves will be able to more nearly deplete their wells. At that time, Unitization plans can be formulated for the recovery of the secondary reserves. The secondary reserves will still be in place. They will in all probability be worth much more to the respective operators and to the State of New Mexico.

To rule now that Unitization is necessary would only be to rule based on the fact that Atlantic Richfield has worked hard on this. What would preclude major operators from taking over all operations whether profitable or not, whether necessary or not, whether ready for Secondary Recovery or not, under the mask of Statutory Pooling?

Summit Energy, Inc. has no quarrel with Statutory Pooling, if it is used in the proper place and with the consideration and judgement of timing, etc.. The ruling was not meant to confiscate property at the discretion of some major operator who draws lines around an area and then attempts to force unitization.

The NMOCC must interpret the Statutory Pooling rule as it is written. It is to prevent an operator from reaping undue benefits from unitization without his making the prorata share of investments. It is to prevent waste. It is to efficiently recover oil and gas reserves. However, it is to be used at least in the case of Secondary Recovery, only when and if, Secondary Recovery is necessary, not at the whims of an individual operator.

If the NMOCC rules in favor of the Atlantic Richfield petition for forced unitization, then the precedent will be set for any major operator to force pool all of the independents. We vigorously oppose the timing of this unit and respectfully request that the NMOCC deny the Atlantic Richfield proposal. At such time that Primary Reserves are recovered and economic limits begin to be reached, we will support reasonable efforts for Secondary Recovery.

Summit Energy, Inc. opposes the unitization of two pools which have historically been separate and distinct as per NMOCC Regulations and Orders. Further, we oppose the attempt by Atlantic Richfield to indicate that (2) separate units are being formed when in reality, there will be only one unit. Is the NMOCC satisfied with the commingling of Blinebry Oil with Drinkard Oil and the arbitrary 65% - 35% separation of such oil? Was it brought out without reasonable doubt, that the Drinkard would Waterflood and that in reality would produce 35% of the stock tank oil due to flooding? If this was brought out in the hearing, it was by arbitrary statements. No concrete evidence was provided to show that 35% of the Secondary Oil will be Drinkard and 65% will be Blinebry.

Summit Energy, Inc.

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October 31, 1977

Summit opposes this arbitrary commingling and division of product. Again, if the NMOCC rules in favor of this type operation, there will be no reason to have separate pools for primary production if we unitize the royalty owners prior to perforating and treating all of the zones. Will the NMOCC approve this technique after due hearing?

A favorable ruling to the petitioner would open the door for property confiscation and loss of pool identity, even in new completions.

Summit Energy, Inc. would have to inject water into their wells if the NMOCC rules that unitization is necessary at the present time. We feel strongly that unitization is premature, but we would work cooperatively with Atlantic Richfield, unit operator, if the need arises.

Summit, at their cost, would convert the No. 2 Gulf Bunin well to water injection. The well is located in the NE/4, NW/4, Section 13-T21S-R37E, Lea County, N.M.. In addition, Summit would pay the invoice costs for another one and one-half Water Injection wells surrounding their lease. Summit would control and inject the appropriate water into the No. 2 Gulf Bunin well, maintain proper injection pressures, maintain proper measurement of injection water and furnish the unit operator with monthly reports as required. Summit would retain the operation of the Gulf Bunin lease, comprised of wells one, two, three, and four.

Summit will in conference with Atlantic Richfield, entertain any attempt at cooperation with the unit operator if the attempt to cooperate is reasonable and serious.

We are prepared to work out an equitable secondary oil reserve between Atlantic as unit operator and ourselves.

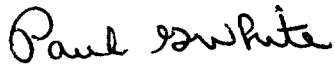
It should be obvious from the correspondence presented at the hearing as Summit Energy, Inc., Exhibit II, that we have tried for three years to work out some kind of equity in the event that forced unitization was applied to our lease. At no time did Atlantic Richfield attempt to work out anything with us and it became obvious years ago that they would attempt the Statutory Pooling.

Summit Energy, Inc.

Page 4
October 31, 1977

Certainly if the complications of first, trying to multipool four separate pay zones, and secondly, attempting to pool two separate pay zones in areas where other zones produce can be worked out, Atlantic and the working interests can work out an equity with Summit.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Paul G. White".

Paul G. White
Vice President-Production

PGW/gb

cc: Mr. Jack Knox



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
FEDERAL CENTER, DENVER, COLORADO 80225

JAN 24 1977

U.S. GEOLOGICAL SURVEY COM. 1

JAN 21 1977

Atlantic Richfield Company
Attention: Mr. Jerry Tweed
P. O. Box 1610
Midland, Texas 79701

No. 6007

Gentlemen:

Your application of September 1, 1976, filed with the Assistant Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the East Blinbry unit area embracing 3,080.00 acres, more or less, in Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226 the land requested as outlined on your plat marked "Exhibit 'A' East Blinbry Unit" is hereby designated as a logical unit area.

Your proposed form of unit agreement will be acceptable. One copy of the proposed form is enclosed and one copy is being sent to the Oil and Gas Supervisor, Albuquerque, New Mexico. We hereby concur in the Supervisor's recommendation that the proposed basis for allocating unitized substances be accepted.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Oil and Gas Supervisor for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical to the form returned herewith will be approved if submitted in approvable status within a reasonable period of time.

However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Supervisor for approval include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the standard form of unit agreement for unproved areas (1968 reprint).

Sincerely yours,



Regional Conservation Manager
For the Director

Enclosure

cc:

N.M.O.C.C., Santa Fe ← This Copy for

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
FEDERAL CENTER, DENVER, COLORADO 80225

JUL 8 1977

See sec. 6070

Atlantic Richfield Company
Attention: Mr. Jerry Tweed
P. O. Box 1610
Midland, Texas 79701

Gentlemen:

Your letter of June 7, 1977, requests modification of the text of the East Blinebry and East Drinkard unit agreements, Lea County, New Mexico, as designated by this office under separate letters dated January 21, 1977. The modifications requested will amend Section 2 (g) and Section 13 of both unit agreements.

Amendment of Sections 2(g) will redefine the unitized intervals, making them consistent with the New Mexico Oil Conservation Commission's interval definitions for the Blinebry and Drinkard pools as established under Commission Orders No. R-1670 and R-4635. As redefined, the unitized intervals will now be 5,550 feet to 6,007 feet for the Blinebry, and 6,450 feet to 6,730 feet for the Drinkard as encountered in the Roy Barton No. 3 well in the SE 1/4 sec. 23, T. 21 S., R. 37 E., N.M.P.M.


Amendment of Sections 13 will change the number of accumulated barrels of oil produced necessary to initiate phase II of the participation formulas in both unit agreements. These modifications change the required amount of Blinebry and Drinkard oil produced to initiated phase II to 1,038,799 barrels and 570,644 barrels, respectively. These new volumes provide for a total cumulative Blinebry and Drinkard oil volume of 1,609,443 barrels, as obtained from production decline analysis and approved by working interest owners.

This office concurs in the Supervisor's recommendation that the modifications requested be accepted. Accordingly, your June 7, 1977. request for the above-described modifications of the texts of the East Blinbry and East Drinkard unit agreements are hereby approved.

Sincerely yours,



Regional Conservation Manager
For the Director

cc:
NMOCC, Santa Fe ←  This Copy for

He would still be paying his share of the costs but there is no well on his acreage in the units at this time. Look at 65-14-6 (1) & (4) for instance. Refers to unitized pools. If Cone's well is a Tubb well, it isn't in a unitized pool. The unit would then have to drill its own well to the Drinkard or Blinbury, charging him for his share of the costs.

LAW OFFICES

HINKLE, COX, EATON, COFFIELD & HENSLEY

600 HINKLE BUILDING

POST OFFICE BOX 10

ROSWELL, NEW MEXICO 88201

November 18, 1977

CLARENCE E. HINKLE
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.

JAMES H. BOZARTH
JAMES H. ISBELL
DOUGLAS L. LUNSFORD
PAUL M. BOHANNON
J. DOUGLAS FOSTER

W. E. BONDURANT, JR. (1914-1973)

TELEPHONE (505) 622-6510

MR. ISBELL LICENSED
IN TEXAS ONLY

MIDLAND, TEXAS OFFICE
521 MIDLAND TOWER
(915) 683-4691

Mr. J. D. Ramey
Secretary-Director
Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Atlantic Richfield
Company for statutory unitization
East Blinbry and East Drinkard
Units and approval of waterflood
projects in connection therewith;
Cases 6069, 6000, 6070 and 5998

Dear Mr. Ramey:

M. A. Sirgo, Jr., Division Petroleum Engineer for Texaco, was kind enough to send me a copy of Texaco's suggested modifications of the captioned unit agreements and operating agreements in connection therewith, which letter was transmitted to you under date of October 28.

The above mentioned suggested modifications of the units and operating agreements were filed pursuant to your suggestion at the conclusion of the hearing on these cases. The evidence Atlantic Richfield offered in support of the application shows that over 85% of all interested parties have approved the proposed units and operating agreements, which is more than is required by the Statutory Unitization Act. We believe it is appropriate to point out that any substantial modification or amendment of the proposed unit agreements or operating agreements would have the legal effect of nullifying the approval of the agreements by the number required under the Act. In that case, it would be necessary to re-negotiate the agreements, and the evidence shows it has taken approximately 8 years to obtain the required percentage of approval.

Mr. J. D. Ramey

-2-

November 18, 1977

We feel that the suggested amendments offered by Texaco would substantially affect the substance of the proposed agreements and would change the entire concept agreed upon by over 85% of the working interest and royalty owners, making it necessary to re-negotiate the agreements. As reflected by the evidence in the record, it is extremely doubtful whether the required percentage of approval could ever be obtained if the agreements were modified as suggested. In that case, the units and waterflood projects would have to be abandoned which would result in a tremendous waste of oil and gas reserves. The obvious concept and intent of the legislature in enacting the Statutory Unitization Act was to prevent such a situation as might occur here. We, of course, recognize that the Commission has authority to make minor changes in order to balance equities which would not entail re-negotiation of the entire agreement.

Yours sincerely,

HINKLE, COX, EATON, COFFIELD & HENSLEY



Clarence E. Hinkle

CEH:cs

cc: Mr. M. A. Sirgo, Jr.
cc: Mr. Kenneth Bateman
cc: Kellahin & Fox
cc: Jerry Tweed
cc: Robert Malaise



PETROLEUM PRODUCTS

PRODUCING DEPARTMENT
CENTRAL UNITED STATES
MIDLAND DIVISION

October 28, 1977

TEXACO INC.
P. O. BOX 3109
MIDLAND, TEXAS 79702

APPLICATION BY ATLANTIC RICHFIELD COMPANY
FOR STATUTORY UNITIZATION

EAST BLINEBRY UNIT

EAST DRINKARD UNIT

CASE NOS. 6069, 6000, 6070 AND 5998
LEA COUNTY, NEW MEXICO

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey
Secretary-Director

Gentlemen:

In reply to your request at the close of the hearing on the subject application held on June 20, 1977, please find attached suggested modifications to the Unit Agreement and the Unit Operating Agreement for each Unit. The suggested language can be incorporated directly into the Agreements for either Unit and would satisfy Texaco's opposition to the application.

As stated in our testimony at the hearing, a solution to all opposition for this particular application would be to change the application to voluntary, eliminate, for the present, Tract Nos. 13 and 15 and proceed with waterflood development. We sincerely believe the applicant has overestimated both the lack of cooperation and the loss of reserves.

If we can supply additional information, or be of any service in this matter, please advise.

Yours very truly,

M. A. Sirgo, Jr.
Division Petroleum Engineer

MST/pw

Attachment



Working to keep
your trust for
75 years

cc: Mr. Kenneth Bateman
White, Koch, Kelly & McCarthy
P. O. Box 787
Santa Fe, New Mexico 87501

Mr. John C. Byers
P. O. Box 6308
Lubbock, Texas 79413

Mr. J. R. Cone
P. O. Box 871
Lubbock, Texas 79408

EAST BLINEBRY AND EAST DRINKARD UNITS

Unit Agreements
Section 11 - Plan of Operations
Page 13, Line 7

Following the close of the first sentence ending with the word "approval", insert the following language:

The initial plan of operations shall include the development of the north and east 1,600 acres, within the Unit Area of 3,080 acres, for waterflood on an 80 acre 5-spot pattern. Initially, the Blinebry formation waterflood development will include all the Unit Area within Sections 11, 12, 13 and 24, T-21-S, R-37-E. Initially, the Drinkard formation waterflood development will include all the Unit Area within Section 11, T-21-S, R-37-E. The gas cap gas from both the Blinebry and Drinkard formations found within the western portion of the Unit Area will be produced and sold from wells completed in the Blinebry and/or Drinkard formations existing on the Effective Date and contributed to the Unit, all as located in Sections 14 and 23, T-21-S, R-37-E. The expansion of waterflood operations in either or both formations will be permitted only after approval of the Supervisor and approval by the Commission.

EAST BLINEBRY AND EAST DRINKARD UNITS

Unit Operating Agreements

Omit Section 10.5, page 15
Omit Section 10.6, pages 15 and 16
Omit Section 12.1.2, page 19

Article 11 - Wellbores

Revise to read as follows:

ARTICLE 11

UNIT WELLS

11.1 Unit Wells. As of the Effective Date of the Unit Agreement each forty (40) acre subdivision of any tract committed hereto shall be required to have a well completion in the Unitized Formation. If any forty (40) acre subdivision does not have a completion as above provided, the party or parties contributing same shall have the option for ninety (90) days to provide a completion. If a completion has not been provided at the end of said ninety (90) day period, the party or parties contributing a forty (40) acre subdivision without a completion shall remit the sum of \$200,000 to the Unit Operator for the Unit account. In the event the party or parties do not provide a completion as above provided and are therefore obligated to remit the sum of \$200,000, the said party or parties may then elect, in lieu of remittance of \$200,000, to have the forty (40) acre subdivision identified as a separate Unit tract with a separate account which shall be treated as a carried interest by all of the Working Interest Owners who have ratified this agreement. The carried interest account shall include (1) \$200,000 charge, (2) allocated

Unit expenses, (3) ten percent (10%) interest per annum on the unpaid balance; all of which is to be paid out of the proceeds from the sale of allocated amount of Oil and Gas production, less royalty interest.

11.2 Exception to Completion Requirement Any forty (40) acre subdivision that has not contributed oil production from the Unitized Formation to any parameter through which Unit Tract Participation was calculated by the formula outlined in Article 13 of the Unit Agreement will not be required to provide a completion as provided in Paragraph 11.1 above.

Unit Operating Agreements

Section 13.2 - Multiple Completions

Revise to read as follows:

It is recognized that there are considerable non-unitized recoverable economic oil, gas and other hydrocarbon reserves underlying the Unit Area and in order to prevent waste of these natural resources and also to prevent economic waste, it will be necessary to provide for cooperation in the simultaneous recovery of both unitized and non-unitized oil, gas and other hydrocarbon reserves. Therefore, multiple completion operations are permitted, encouraged and provided for herein. In the event any well within the Unit Area is multiply completed between unitized and non-unitized formations on the Effective Date of unitization, these operations will continue so long as they are economic to either unitized or non-unitized production with both the Unit and the Working Interest Owners of the non-unitized formation having equal rights to the wellbore. In any multiply completed well, between the Unit and a non-unitized formation, all costs associated with the unitized operation will be paid by the Unit and all costs associated with the non-unitized operations will be paid by the Working Interest Owners of the non-unitized formation. Any additional costs, resulting from multiple completion operations, over and above that which is determined to be normal, will be shared equally between the Unit and the Working Interest Owners of the non-unitized formation. Any

Working Interest Owner that now has or hereafter acquires the right to produce non-unitized oil, gas or other hydrocarbons, may do so through multiple completions within wellbores existing on the Effective Date of Unitization with the same privileges and obligations outlined above. When a decision is made by the Working Interest Owners of a non-unitized formation to produce oil, gas or other hydrocarbons from a non-unitized formation, the Unit will be informed and the selected wellbore will be made available for multiple completion preparations. The Working Interest Owners of the non-unitized formation and the Unit will both make every effort to protect all productive formations, however, neither will be responsible for the loss of oil, gas and other hydrocarbon reserves except for the reason of negligence. Both the Unit and the Working Interest Owners of the non-unitized formation will work together in a spirit of cooperation, with each making sacrifices where necessary in order to effect the maximum economic recovery of oil, gas and other hydrocarbons through the available wellbores.

FEB 3 1978

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| EDR | | | DAK |
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| AMV | | | FILE |

February 3, 1978

Gene B. Blinn
1-205-1921-4374
Santa Fe, New Mexico

EAST BLINEBRY
 AND EAST DRINKARD UNITS
 LEA COUNTY, NEW MEXICO
 BEFORE THE
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico

Case No. *5998-6000* Exhibit No. *1*
 Submitted by *Texas*
 Hearing Date *2/21/78*

Atlantic Richfield Company
 P. O. Box 1610
 Midland, Texas 79702

Attention: Mr. J. L. Tweed

Gentlemen:

Within the boundary of the East Blinebry and East Drinkard Units, on Tract No. 13 in both units, the Eubanks Well No. 2 is completed in the Tubb (Gas) Pool. The well is operated by J. R. Cone and is located in the NW/4 SW/4 Section 14-T21S-R37E, Lea County, New Mexico.

Article 11 of the Unit Operating Agreement for each Unit provides that each 40 acre subdivision within the boundary of each Unit must have a well contributed to both Units, on the Effective Date, that is usable in the deeper of the two Units. The penalty for not contributing a well is a maximum charge of \$200,000. There is a further provision that the penalty can be paid from production rather than cash, but from the allocation to the entire tract, not from just the effected 40 acres.

We opposed your application to the New Mexico Oil Conservation Commission for approval of both Units on October 20, 1977. Our opposition was limited to the provisions of Article 11 of the Unit Operating Agreement. Following the hearing we offered suggested language that would eliminate our opposition. The Commission approved your application on December 27, 1977 and we then became a party to an application for a rehearing, which has been set for February 21, 1978.

The Eubanks Well No. 2 has significant Tubb gas reserves and a projected economic life of approximately seven (7) years. If the well were recompleted on the Effective Date and contributed to the Units, the remaining economic gas reserves would be effectively lost because of offset production to the west.

February 3, 1978

As an equitable solution and to prevent the loss of Tubb gas reserves, we request that Arco as Unit Operator of the East Blinebry and the East Drinkard Units prepare a letter agreement for the approval of the Working Interest Owners in Tract No. 13 granting permission to delay the contribution of the Eubanks Well No. 2 to either Unit for a period of four (4) years following the Effective Date of unitization.

Production from the Eubanks No. 2 well is now commingled, through order of the Commission, from the Blinebry and the Tubb formations. Oil and gas production is assigned to each formation as follows:

| | <u>Gas</u> | <u>Oil</u> |
|----------|------------|------------|
| Blinebry | 53% | 71% |
| Tubb | 42% | 29% |

It is proposed that during the above mentioned 4 year period the well continue to produce according to the allocation established by the Commission with the Blinebry production being credited to the Unit Account.

Further, in order to minimize the risk inherent with this proposed waterflood, and to allow for an orderly depletion of the Blinebry and Drinkard gas caps, as well as permit compliance with existing Tubb Gas Contracts, we ask that the Commission Orders Nos. R-5591 and R-5592 be amended to restrict water injection into the unitized formations to the Unit Area within Sections 11, 12, 13 and 24, T-21-S, R-37-E, until after a future Commission hearing wherein it is shown that the initial stage of waterflood development clearly indicates waterflood success and full scale expansion is then ordered by the Commission.

We ask that you give consideration to the above. A reply prior to February 21, 1978 would be appreciated.

Yours very truly,

D. T. McCreary
Division Manager

By (SIGNED) G. F. CLARKE

G. F. Clarke
Assistant Division Manager

MST/pw

cc: Mr. J. R. Cone
P. O. Box 871
Lubbock, Texas 79400

Oil Conservation Commission
State of New Mexico

File - Chrono



2-15
RG B
1/15

February 10, 1978

Texaco, Inc.
P. O. Box 3109
Midland, Texas 79702

Attn: Mr. D. T. McCreary
Division Manager

Re: East Blinbry & East Drinkard Units
Lea County, New Mexico

| | |
|---|---------------|
| BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico | |
| Case No. 5998-600 | Exhibit No. 2 |
| Submitted by <u>Texaco</u> | |
| Hearing Date <u>2/21/78</u> | |

Gentlemen:

As you pointed out in your letter dated February 3, 1978, subject as above, the Commission approved Atlantic Richfield's application for both units on December 27, 1977. Commission Order No's. R-5591, R-5592, R-5593, and R-5594 stand in effect until such time as a rehearing can be held on February 21, 1978. The rehearing being made under application of Texaco, Inc., J. R. Cone, and Summit Energy as granted by the Commission.

Texaco, Inc. has opposed Article 11 of the Unit Operating Agreement for each unit. This article, the wellbore provision, requires a usable well be provided on each 40-acre subdivision. If a well is not contributed, the tract shall bear all costs up to and including \$200,000. This cost can be paid from production rather than cash. Texaco has specifically objected to Article 11 as currently written, in that the Tubb gas reserves assigned to the Eubanks Well No. 2 would be lost if the well was contributed. In addition, with regards to Tract 13, Texaco's application for a rehearing set forth that there is no present need for secondary recovery methods, that waste will result from the inclusion of Tract 13, and their correlative rights will be violated.

Texaco has requested that Atlantic Richfield Company prepare a letter agreement for the approval of the working interest owners in Tract No. 13 granting permission to delay contribution of the Eubanks No. 2 to either unit for a period of four (4) years following the effective date of unitization. Atlantic Richfield Company does not have the authority, as unit expeditor, to grant such a delay without approval of the working interest owners who have approved the agreements. Such an agreement could not be prepared and circulated prior to the rehearing on February 21, 1978. The wellbore provision has been discussed thoroughly at the working interest owners' meetings. Contributed

Texaco, Inc.
Attn: Mr. McCreary
February 10, 1978
Page 2

wellbores were part of the equity that each owner considered in unit negotiations. Since the Eubanks No. 2 is not the only well within the unit boundary with remaining Tubb reserves, we anticipate other operators wanting equal treatment. Timely contribution of usable wellbores is necessary for the operator to maintain consistent flood fronts in the Blinebry and Drinkard to increase maximum secondary recovery.

We have never recommended removing Tubb gas reserves from their contractual obligations because of unitization. Our previous testimony indicated that there are economic alternatives available to Tract 13 which would allow all of the Tubb gas to be recovered. Also, we have testified to the fact that during the initial negotiations a pilot operation was discussed but the majority of working interest owners were not in favor of such an operation. A pilot project would add an additional delay in full unit production. Any substantial delay would result in the loss of reserves because of the age of the wellbores within the units. A pilot would also require a larger investment.

Atlantic Richfield Company has recognized and testified that once the unit becomes effective, it will be eighteen months before injection will begin because of the time necessary to construct an injection facility. With the approval of the working interest owners, there is a possibility that exceptions could be made on individual wells to permit recovery of Tubb reserves before the wells were actually needed in the waterflood. Within 30 days after the rehearing we plan to call a working interest owners meeting. We have no objection to bringing this proposition to the attention of the working interest owners for consideration.

The Eubanks No. 2 well is currently commingled in the Tubb and Blinebry. Oil and gas production is assigned to each formation under an allocation approved by the NMOCC Commingling Order R-5481. The approval of the East Blinebry Unit and subsequent unit operations will change the basis on which the current allocation is being made. We deem the current commingled allocation to be unacceptable under unit operations.

Very truly yours,

J. L. Tweed
J. L. Tweed

JLT/agp

cc: New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Mr. J. R. Cone, P. O. Box 871, Lubbock, Texas 79400

Mr. Clarence Hinkle, P. O. Box 10, Roswell, New Mexico

Mr. Horace Burton, Atlantic Richfield - Dallas

Mr. Curt Krehbiel, Atlantic Richfield - Midland

Exhibit #4

ECONOMIC ANALYSIS EAST BLINEBRY AND EAST DRINKARD UNITS

1) Total Unit

| | <u>Before Tax</u> | <u>After Tax</u> |
|---|-------------------|------------------|
| Oil Price | Constant \$13.84 | -- |
| Gas Price | Constant 53¢/MCF | -- |
| Total net oil, MBO/Net gas BCF | 9142.9/22.9 | -- |
| Total net investment, M\$ | 12500.0 | -- |
| Expected payout, years | 3.37 | 3.7 |
| Expected economic life, years | 21 | -- |
| Expected undiscounted present worth, MM\$ | 82.8 | 48.6 |

990: 104 E

BEFORE THE
OIL CONSERVATION COMMISSION
600 Santa Fe, New Mexico
600 5948
Case No. 1000 Exhibit No. 4
Submitted by C-11 - [unclear]
Hearing Date 2-2-70

ECONOMIC ANALYSIS
TRACT 13 - J. R. CONE OPERATED

1) Tract 13

| <u>Join - Turn over 4 wells</u> | | <u>Before Tax</u> | <u>After Tax</u> |
|--|----------|-------------------|------------------|
| Oil Price | Constant | \$13.84 | -- |
| Gas Price | Constant | 53¢/MCF | -- |
| Total net oil, MBO | 751.8 | | -- |
| Total net gas, MMCF | 1737.4 | | -- |
| Total net investment, M\$ | 1046.1 | | -- |
| Tract participation, Phase I | 7.14% | | -- |
| Tract participation, Phase II | 8.37% | | -- |
| Expected payout, years | 3.76 | | 4.10 |
| Expected undiscounted present worth, M\$ | 7406.7 | | 3912 |

2) Tract 13

| <u>Join - Unit carry one well</u> | | <u>Before Tax</u> | <u>After Tax</u> |
|--|-----------|-------------------|------------------|
| Oil Price | Constant | \$13.84 | -- |
| Gas Price | Constant | 53¢/MCF | -- |
| Total net oil, MBO | 751.8 | | -- |
| Total net gas, MMCF | 1737.4 | | -- |
| Non-taxable revenue | - 254.0 * | | |
| Tract participation, Phase I | 7.14% | | -- |
| Tract participation, Phase II | 8.37% | | -- |
| Expected payout, years | 4.18 | | 4.7 |
| Expected undiscounted present worth, M\$ | 7152.7 | | 3658 |

3) Tract 13

| <u>Join - Unit carry four wells</u> | | <u>Before Tax</u> | <u>After Tax</u> |
|--|-------------|-------------------|------------------|
| Oil Price | Constant | \$13.84 | -- |
| Gas Price | Constant | 53¢/MCF | -- |
| Total net oil, MBO | 751.8 | | -- |
| Total net gas, MMCF | 1737.4 | | -- |
| Total net investment, M\$ | 1046.1 | | -- |
| Non-taxable revenue | -1006.00 ** | | -- |
| Tract participation, Phase I | 7.14% | | -- |
| Tract participation, Phase II | 8.37% | | -- |
| Expected payout, years | 5.24 | | 6.5 |
| Expected undiscounted present worth, M\$ | 6390.7 | | 2896 |

*Represents the \$200 M plus interest and recompletion cost in old well.

**Represents the cost of four wellbore penalties plus interest and recompletion costs in old wells.

*ARCO Ex 5
rehearing 2/31*

Exhibit #6

ECONOMIC ANALYSIS
TRACT 15 - SUMMIT OPERATED

1) Tract 15

Join - Turn over 3 wells

| | <u>Before Tax</u> | <u>After Tax</u> |
|---|-------------------|------------------|
| Oil Price | Constant \$13.84 | -- |
| Gas Price | Constant 53¢/MCF | -- |
| Total net oil, MBO/Net gas, BCF | 276.3/0.69 | |
| Total net investment, M\$ | 377.8 | -- |
| Expected payout, years | 3.7 | 4.1 |
| Expected economic life, years | 21 | -- |
| Expected undiscounted present worth, MM\$ | 2.5 | 1.46 |

| |
|-------------------------------|
| APPROVE THE |
| OIL COMPANY'S PROPOSED ACTION |
| DATE _____ |
| BY _____ |
| _____ |
| _____ |

ARCO Ex 6
rehearing 2/21

Suggested Amendment to Section 11.1 of Operating Agreement:

In Line 13 on Page 18, after the word "subdivision" change the period to a semicolon and add the following:

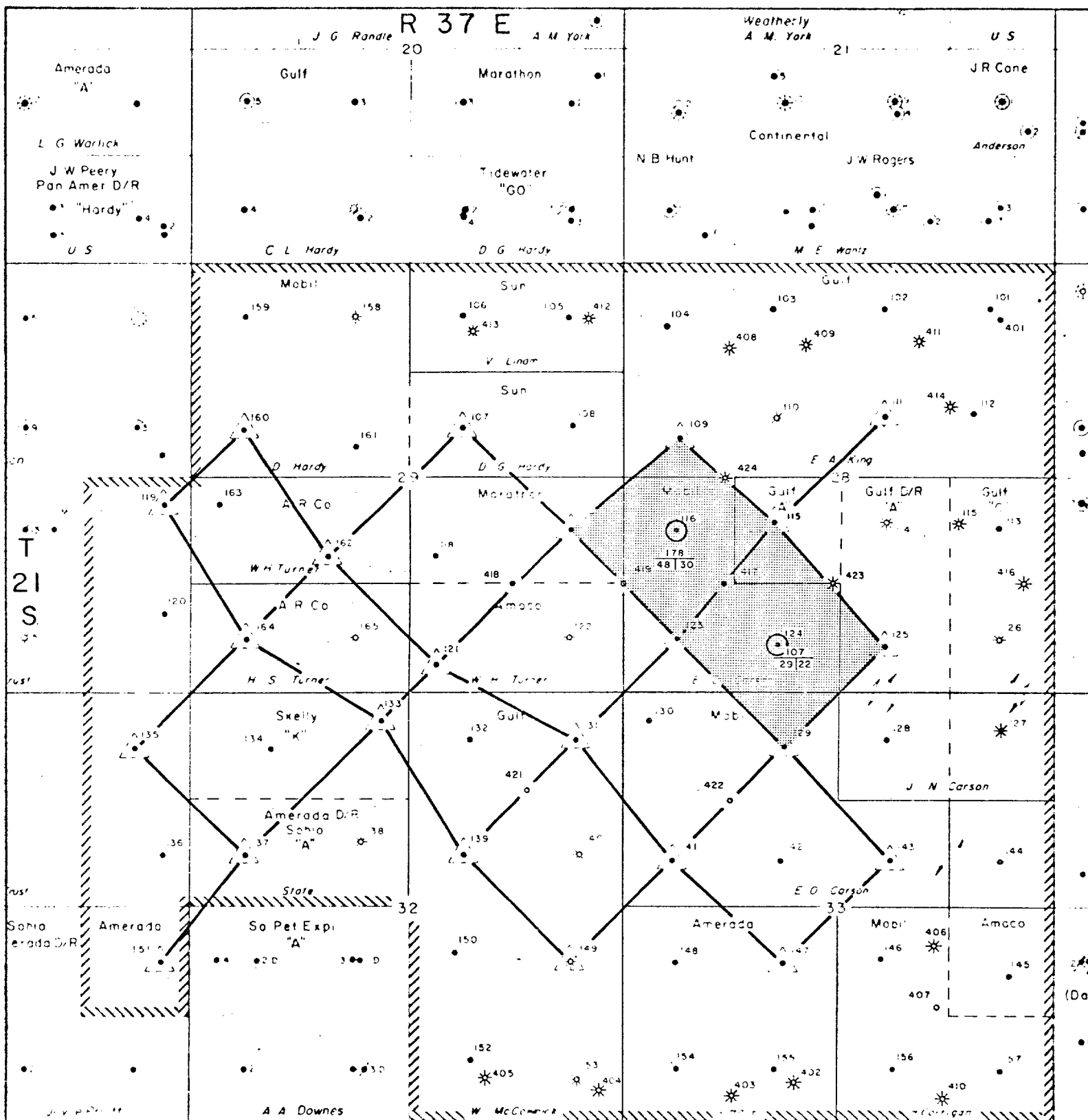
provided, however, if any well to be contributed toward unit operations is completed as a gas well producing from the Tubb formation, the contributing party or parties shall have the option to request the unit operator to drill a new well to be cased to base of the Tubb formation at any locat^{ion}~~ed~~ designated by such party or parties to be produced in lieu of the contributed well and the new well and the production therefrom shall not be involved in unit operations. If working interest owners approved by a vote and exercise their right as above provided, the party or parties contributing the 40 acre subdivision on which the usable well bore is located shall bear all costs and expenses in connection therewith or in drilling a substitute gas well, as the case may be, up to and including \$200,000.00. If the operation costs in excess of \$200,000.00, the additional cost in excess thereof shall be considered unit costs and charged to the working interest owners on the basis of their Phase II combined unit participation. In case the well drilled is to take the place of a Tubb gas well, the operation shall include the drilling and casing of said well to the base of the Tubb formation and running electrical logs in connection therewith. All expenses incurred in connection with conditioning the contributed well to be used as a unit well shall be borne by the unit working interest owners.

Cases 5998, 6000, 6069, 6070

Exhibit 8

Atlantic Richfield Co.

2/21/78



9
Ex. ARCO
Ref. 2-22-78

LEGEND



PILOT AREA

SECONDARY PRODUCTION
MB, CUMULATIVE
ROPD | BWPD
CURRENT RATE

30
10 | 50

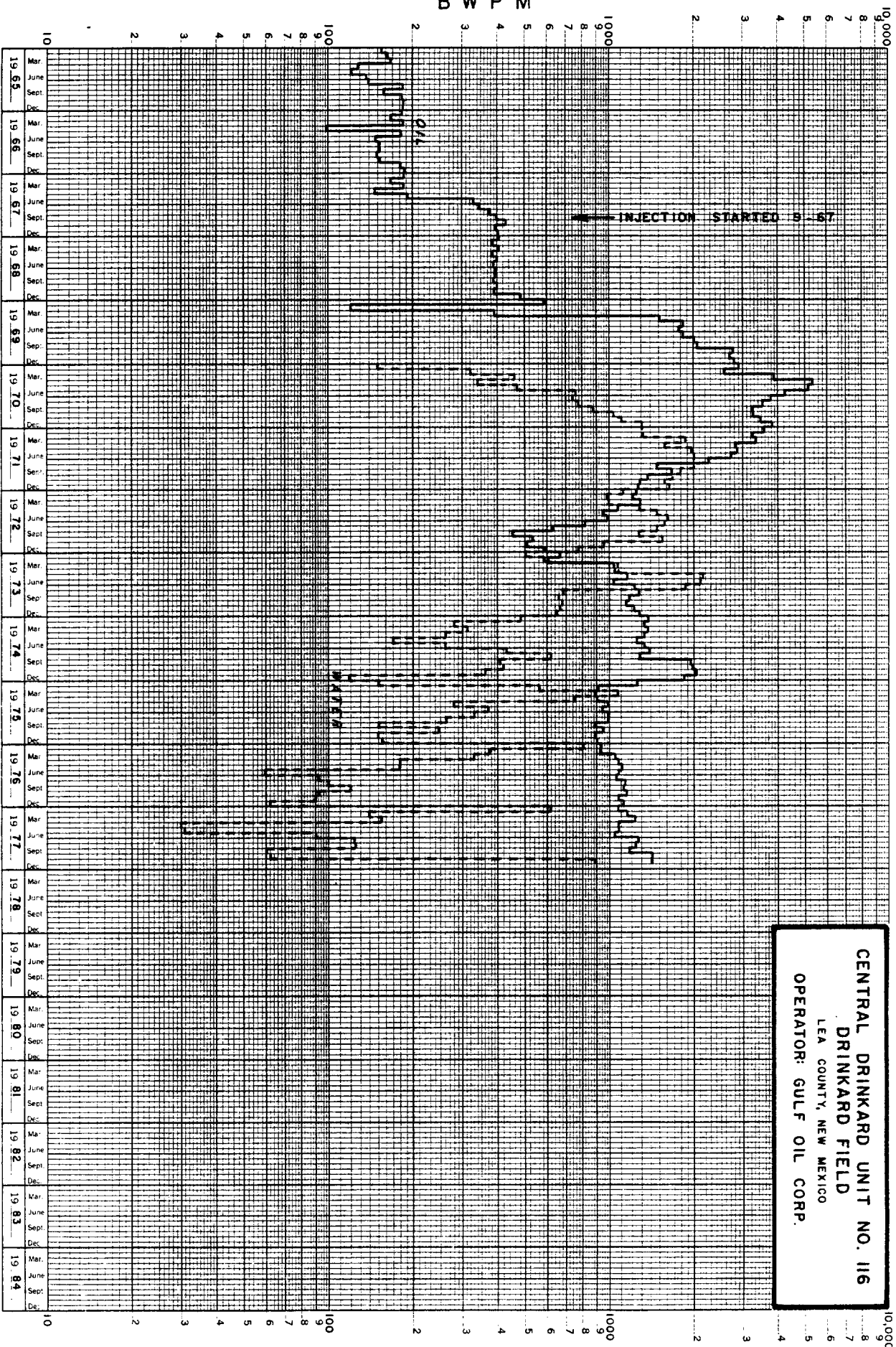
Atlantic Richfield Company
New Orleans, Louisiana
Houston, Texas
Palm Beach, Florida

CENTRAL DRINKARD UNIT
LEA COUNTY, NEW MEXICO

PILOT AREA

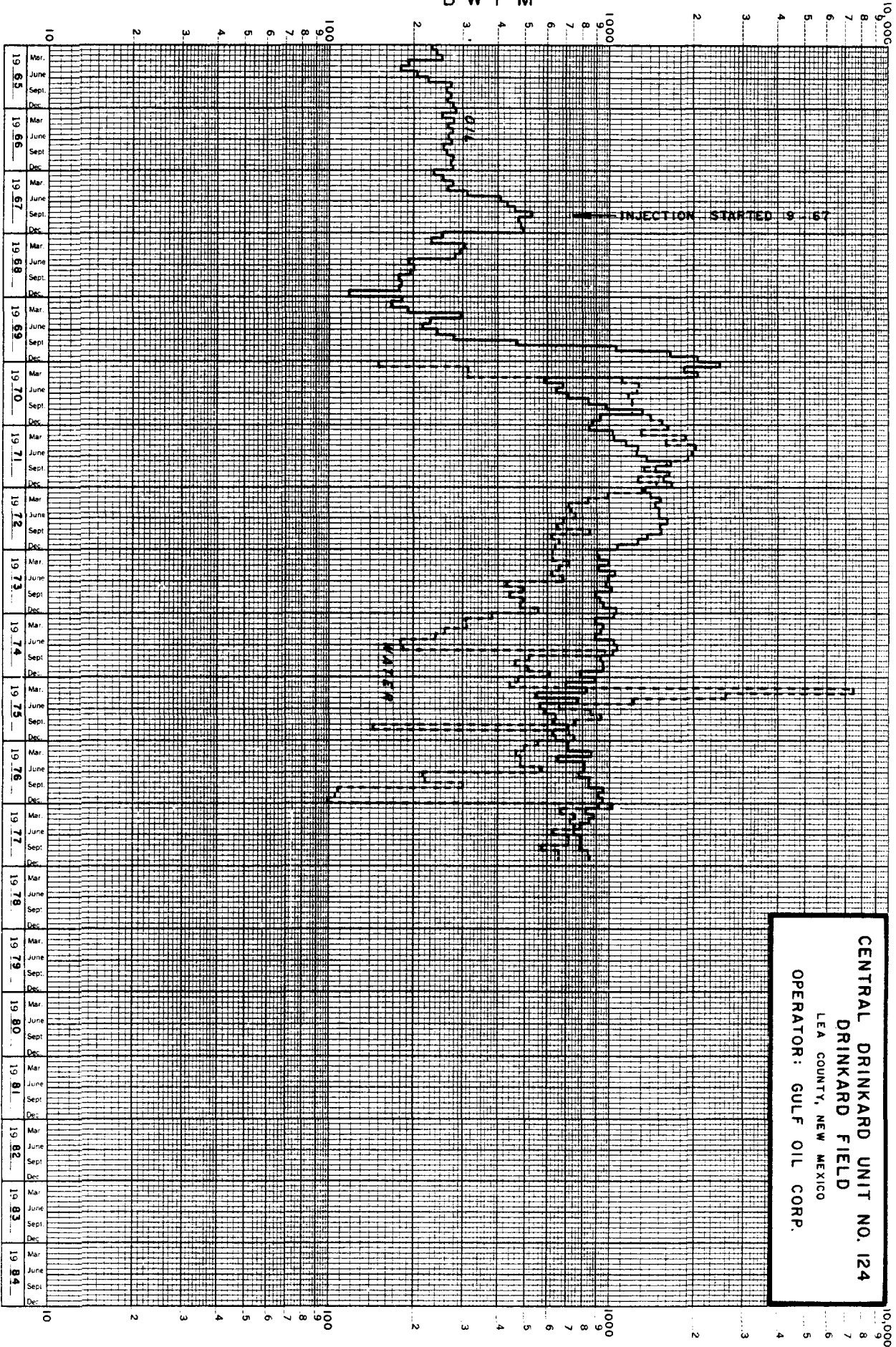
SCALE 1" = 1000'
R. M. MALAISSE
3 1/2" x 11"
WEST AREA ENGINEER

B O P M
B W P M



EX. 10 ARCO
LEA. 2-22-78

B O P M
B W P M



CENTRAL DRINKARD UNIT NO. 124
DRINKARD FIELD
LEA COUNTY, NEW MEXICO
OPERATOR: GULF OIL CORP.

Ex. 11 Arco
Ref. 2-22-78

CENTRAL DRINKARD UNIT
Performance Analysis
Dual 5-Spot Pilot
Lea County, New Mexico

#12

| | 5-Spot No. 1 CDU #116 Center Producer | | 5-Spot No. 2 CDU #124 Central Producer | | Combine 5-Spot Performance |
|---|--|-------|---|-------|-------------------------------|
| | 4 Injectors | | 4 Injectors | | |
| Injector Primary Production, MBO | CDU #109 | 208.4 | CDU #15 | 164.8 | 1443.2 |
| Injector One Quarter Primary, MBO | CDU #115 | 164.9 | CDU #123 | 234.9 | 360.8 |
| Primary Production, Producer, MBO | CDU #117 | 152.2 | CDU #125 | 175.9 | 413.0 |
| Total Primary, Full 80-Acre, 5-Spot, MBO | CDU #123 | 234.9 | CDU #129 | 107.2 | 773.9 |
| Total Secondary, MBO, as of 12/1/77 | CDU #116 | 178.0 | CDU #124 | 107.2 | 285.0 |
| Estimated Remaining Secondary, MBO | | 124.7 | | 79.0 | 203.7 |
| Estimated Ultimate Secondary, MBO | | 302.7 | | 186.2 | 488.9 |
| Estimated Secondary/Primary Ratio | | 0.78 | | 0.482 | 0.632 |

Ex. 12. Arco
Dea. 2-22-78

Ex. 13 ARCO
REH. 2-22-18

EAST BLINEBRY
EAST DRINKARD UNITS
LEA COUNTY, NEW MEXICO

SENSITIVITY ANALYSIS
SECONDARY / PRIMARY RATIO

