



March 31, 1978

WORKING INTEREST OWNERS
EAST BLINEBRY/EAST DRINKARD UNITS
LEA COUNTY, NEW MEXICO

RE: Minutes of Working Interest Owners Meeting
March 30, 1978
East Blinebry/East Drinkard Unit
Lea County, New Mexico

Gentlemen:

Mr. J. L. Tweed, Atlantic Richfield Company, opened the meeting at 9:30 AM by welcoming everyone. An attendance list of those present at the meeting is attached. The attendance represented 92.8% of the working interest owners.

- 1) Mr. R. M. Malaise, Atlantic Richfield Company, reviewed the unitization effort since the hearing concerning statutory unitization and waterflood application held October 20, 1977, in Santa Fe, New Mexico, through the rehearing of same held February 20, 1978. Mr. Malaise stated that a meeting had been held since the rehearing on March 16, 1978 between the unit expeditor and the working interest owners of Tract 13. He indicated that Mr. J. R. Cone had presented a proposal which he felt should be made to the working interest owners of the East Blinebry/East Drinkard Unit.
- 2) Mr. John Byers, representing J. R. Cone, spoke for the operator of Tract 13. He emphasized that J. R. Cone was not opposed to secondary operations but was opposed to Article 11 of the Unit Operating Agreement which he felt amounted to confiscation of property. Mr. Byers felt that Atlantic Richfield Company should attempt to provide protection along the western boundary of the unit by securing, as soon as possible, lease line agreements for cooperative water injection. Mr. Byers stated that J. R. Cone would propose that Tract 13 be eliminated from the unit boundary and they would form a cooperative waterflood agreement with the unit.
- 3) Mr. Malaise stated that after the March 16th meeting, Atlantic Richfield had discussed with the USGS the possibility of eliminating a tract from the proposed unit boundary. The USGS in Roswell, New Mexico, indicated that they would have great difficulty in securing approval

of a boundary which would not include Tract No. 13 and/or Tract No. 15. The original justification had defined a logical unit boundary which included these two tracts. The USGS felt that elimination of Tract 13 and/or Tract 15 would necessitate complete renegotiation of unit equities, rewriting of operating agreements, etc.

- 4) Mr. Tweed stated that Atlantic Richfield Company would be opposed to eliminating Tract 13 from the present unit boundary. His reasons were as follows:
 - a) USGS objection.
 - b) We would have to start over again on the unit area with an inherent risk of the unit not being formed.
 - c) Substantial delay involved would cost operators money.
 - d) We would still face objections from Summit; therefore, the second time around would not be easier.
- 5) Mr. Todd with Texaco stated that they agreed with J. R. Cone concerning the elimination of Tract 13 from the unit boundary. Mr. Todd made the motion that a ballot be taken of those present since there were a large percentage of working interest owners at this meeting. The ballot was taken and the results were:

MOTION - Leave Tract 13 out of the present unit boundary and form a cooperative water-flood agreement.

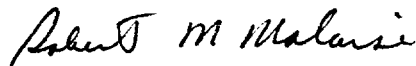
YES	NO	PASS	TOTAL
10.1%	80.1%	2.6%	92.8%

- 6) Mr. A. L. Cole with Amoco indicated that his company felt that the unit negotiations had been conducted in good faith. He further stated that they were ready to proceed with unitization at this time with no further delay. Mr. William Lancaster with Shell and Mr. V. T. Lyon with Conoco indicated their companies held a similar position.

- 7) Mr. Todd stated that the unit operators should possibly reconsider the possibility of setting up a separate 40-acre tract within Tract 13 which would be subject to the carried interest provision of the wellbore penalty. He also indicated that Texaco had made a proposal to Atlantic Richfield which would allow the Eubanks No. 2 to produce as a commingled wellbore for a period of four years. Mr. Tweed pointed out that Atlantic Richfield Company would recognize any proposal and ballot the same before the other owners. He did point out that four years would be considered too long a period for the unit to share the wellbore. Atlantic Richfield Company could recommend sharing a wellbore for a period of 18 months to two years. He stated that after consulting with Company lawyers, the unit would not be able to allow the Eubanks No. 2 to be produced as a commingled well once the unit became effective because of the difference in interests at this time.
- 8) At that point, Mr. Malaise provided all the attendees with copies of J. R. Cone's and Texaco's letters to the NMOCC (following the hearing of October 20, 1977). These letters indicated the changes to the operating agreements which would be necessary in order to make them acceptable to Cone and Texaco.

Before the meeting ended, the interest in Tract 13 indicated that they would meet again and then contact Atlantic Richfield Company in order that a meeting might be called to pursue other methods of compromise.

Very truly yours,



R. M. Malaise

RMM/agp

PROPOSED EAST BLINEBRY & EAST DRINKARD
UNIT

Working Interest Owners Meeting 3/30/78

ATTENDEES

<u>NAME</u>	<u>COMPANY</u>	<u>LOCATION</u>
A. L. Cole	Amoco	Houston
William R. Lancaster	Shell	Houston
V. T. Lyon	Conoco	Hobbs
Fred O. Hull	Conoco	Houston
Morris Todd	Texaco	Midland
Bert O. Gunn, Jr.	Chevron	Midland
Jim Cone	J. R. Cone	Lubbock
John C. Byers	J. R. Cone	Lubbock
R. E. Powers	Atlantic Richfield	Midland
J. L. Tweed	Atlantic Richfield	Midland
R. M. Malaise	Atlantic Richfield	Midland
O. V. Stuckey	Getty	Midland
Byron H. Greaves	Flag-Redfern	Midland
Tom Furtwangler	Atlantic Richfield	Midland
C. D. Stenberg	Gulf	Midland
D. R. Craig	Southland Royalty	Midland
Ken McPeters	Moranco	Hobbs

AtlanticRichfieldCompany

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79702

Telephone 915 684-~~XXXX~~ 0132

David W. Sipperly

District Land Manager



June 27, 1978

Mr. Joe Ramey
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Subject: Statutory Unitization
East Blinebry Unit and
East Drinkard Unit
Supplemental Joinder to Unit
Agreement and/or Unit Operating Agreement
Lea County, New Mexico

Gentlemen:

On February 21, 1978, a rehearing was held in front of the full Commission for the East Blinebry Unit and East Drinkard Unit. During this hearing, Atlantic Richfield Company submitted into evidence the Supplemental Joinder to Unit Agreement and/or Unit Operating Agreement for both the East Blinebry and East Drinkard Unit. Enclosed for your reference are copies of the instruments which were placed into evidence at the hearing.

We have now received in excess of 75% approval from both Royalty Owners and Working Interest Owners for each phase of both the East Blinebry and East Drinkard Units.

Yours very truly,

TOM FURTWANGLER
LAND DEPARTMENT

TF:bk
Enclosures

CERTIFIED MAIL No. 250215
RETURN RECEIPT REQUESTED

xc: U. S. Geological Survey
Attention: Mr. James Gillham
P. O. Drawer 1857
Roswell, New Mexico 88201

SUPPLEMENTAL JOINDER TO UNIT AGREEMENT
AND/OR UNIT OPERATING AGREEMENT, EAST BLINEBRY UNIT,
LEA COUNTY, NEW MEXICO

WHEREAS, in Cases Nos. 5998, 6000, 6069, and 6070, Orders Nos. R-5591, R-5592, R-5593, and R-5594, the New Mexico Oil Conservation Commission, on December 27, 1977, approved for statutory unitization and secondary waterflood operations the East Blinebry Unit Area and the East Drinkard Unit Area in accordance with Unit Agreements and Unit Operating Agreements dated August 1, 1976, as submitted and proposed by Atlantic Richfield Company: and

WHEREAS, said orders are being contested by certain working interest owners (J. R. Cone and Texaco, Inc. in Tract 13 and Summit Energy, Inc., in Tract 15), the Commission on January 20, 1978, granted a rehearing requested by said contestants, to be heard February 21, 1978, and thereafter, within 20 days after any further ruling of the Commission, the contestants or any interested party dissatisfied with the Commission's action may appeal to the courts; and

WHEREAS, the expiration date for making said units effective, as heretofore extended by approval of more than 75% of the working interest owners committed to said agreements as provided in Sections 23 thereof, is July 1, 1978, and it is desired to extend such expiration date beyond the period of delay occasioned by any court appeals from final unitization orders of the Commission in the cases now pending before it,

NOW, THEREFORE, each undersigned owner of a royalty interest and each undersigned owner of a working interest within the unit area hereby agrees that the expiration date provided in Section 23 of instrument entitled "Unit Agreement for the Development and Operation of the East Blinebry Unit, Lea County, New Mexico," dated August 1, 1976, for making said unit effective, is hereby extended from July 1, 1978, for a period of any court appeals from final orders of the Oil Conservation Commission, complaining of statutory unitization and waterflood operations approved by the Commission in Cases Nos. 5598, 6000, 6069, and 6070, and Orders Nos. R-5591, R-5592, R-5593, and R-5594, as same may be modified by the Commission, and for a period of 90 days after final conclusion of all such court appeals plus 90 days but in no event beyond July 1, 1980.

As supplemented hereby the Unit Agreement for the East Blinebry Unit is hereby ratified by each undersigned owner of a royalty interest and both the Unit Agreement and the Unit Operating Agreement for the East Blinebry Unit are hereby ratified by each undersigned owner of working interest. This instrument may be executed in counterparts and shall bind the interest of each party executing a counterpart whether or not executed by all parties having an interest.

EXECUTED THIS _____ day of _____, 1978.

(INDIVIDUAL)

STATE OF)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____.

My Commission Expires:

Notary Public in and for

County, _____

(JOINT)

STATE OF)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____ and his wife, _____.

My Commission Expires:

Notary Public in and for

County, _____

(CORPORATE)

STATE OF)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ Day of _____, 1978, by _____ of _____, a corporation on behalf of said corporation.

My Commission Expires:

Notary Public in and for

County, _____

SUPPLEMENTAL JOINDER TO UNIT AGREEMENT
AND/OR UNIT OPERATING AGREEMENT, EAST DRINKARD UNIT,
LEA COUNTY, NEW MEXICO

WHEREAS, in Cases Nos. 5998, 6000, 6069, and 6070, Orders Nos. R-5591, R-5592, R-5593, and R-5594, the New Mexico Oil Conservation Commission, on December 27, 1977, approved for statutory unitization and secondary waterflood operations the East Blinebry Unit Area and the East Drinkard Unit Area in accordance with Unit Agreements and Unit Operating Agreements dated August 1, 1976, as submitted and proposed by Atlantic Richfield Company; and

WHEREAS, said orders are being contested by certain working interest owners (J. R. Cone and Texaco Inc. in Tract 13 and Summit Energy, Inc., in Tract 15), the Commission on January 20, 1978, granted a rehearing requested by said contestants, to be heard February 21, 1978, and thereafter, within 20 days after any further ruling of the Commission, the contestants or any interested party dissatisfied with the Commission's action may appeal to the courts; and

WHEREAS, the expiration date for making said units effective, as heretofore extended by approval of more than 75% of the working interest owners committed to said agreements as provided in Sections 23 thereof, is July 1, 1978, and it is desired to extend such expiration date beyond the period of delay occasioned by any court appeals from final unitization orders of the Commission in the cases now pending before it,

NOW, THEREFORE, each undersigned owner of a royalty interest and each undersigned owner of a working interest within the unit area hereby agrees that the expiration date provided in Section 23 of instrument entitled "Unit Agreement for the Development and Operation of the East Drinkard Unit, Lea County, New Mexico," dated August 1, 1976, for making said unit effective, is hereby extended from July 1, 1978, for the period of any court appeals from final orders of the Oil Conservation Commission, complaining of statutory unitization and waterflood operations approved by the Commission in Cases Nos. 5598, 6000, 6069, and 6070, and Orders Nos. R-5591, R-5592, R-5593, and R-5594, as same may be modified by the Commission, and for a period of 90 days after final conclusion of all such court appeals plus 90 days but in no event beyond July 1, 1980.

As supplemented hereby the Unit Agreement for the East Drinkard Unit is hereby ratified by each undersigned owner of a royalty interest and both the Unit Agreement and the Unit Operating Agreement for the East Drinkard Unit are hereby ratified by each undersigned owner of working interest. This instrument may be executed in counterparts and shall bind the interest of each party executing a counterpart whether or not executed by all parties having an interest.

EXECUTED this _____ day of _____, 1978.

(INDIVIDUAL)

STATE OF)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____.

My Commission Expires:

Notary Public in and for

County, _____

(JOINT)

STATE OF)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____ and his wife, _____.

My Commission Expires:

Notary Public in and for

County, _____

(CORPORATE)

STATE OF)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____ of _____, a corporation on behalf of said corporation.

My Commission Expires:

Notary Public in and for

County, _____

Dockets Nos. 9-78 and 11-78 are tentatively set for hearing on March 8 and March 22, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - FEBRUARY 21, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6149: Application of The Permian Corporation for amendment of Order No. R-5208, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5208 which, as amended by R-5208-A, authorizes salt water disposal into the Delaware formation thru applicant's State CS Well No. 1 located in Unit L of Section 17, Township 21 South, Range 27 East, Eddy County, New Mexico, with a maximum wellhead surface pressure of 600 psi. Applicant seeks to have the aforesaid pressure limitation increased or removed.

CASE 6069 and 6070: (Rehearing)

Application of Atlantic Richfield Company for two statutory unitizations, Lea County, New Mexico. Upon application of Texaco Inc., there will be a rehearing of Cases Nos. 6069 and 6070, Orders Nos. R-5593 and R-5594. These cases involve statutory unitization of the East Blinbry and East Drinkard Unit Area in Township 21 South, Range 37 East, Lea County, New Mexico. Pursuant to Commission Order No. R-5593-B and R-5594-B, evidence at said rehearing shall be limited to evidence relating to the unitization of the following tract in said unit areas:

Tract No. 13 comprising the SW/4 of Section 14, Township 21 South, Range 37 East.

CASE 5998, 6000, 6069, and 6070: (Rehearing)

Application of Atlantic Richfield Company for two statutory unitizations and two waterflood projects, Lea County, New Mexico. Upon application of J. R. Cone and Summit Energy Inc., there will be a rehearing of Cases Nos. 5998, 6000, 6069, and 6070, Orders Nos. R-5592, R-5591, R-5593, and R-5594. These cases involve statutory unitization of the East Blinbry and East Drinkard Unit Areas in Township 21 South, Range 37 East, Lea County, New Mexico, and waterflood operations thereon. Pursuant to Commission Order No. R-5592-A, R-5591-A, R-5593-A, and R-5594-A, evidence at said rehearing shall be limited to evidence relating to unitization of and waterflood operations on the following tracts in said unit areas:

Tract No. 13 comprising the SW/4 of Section 14 and Tract No. 15 comprising the N/2 NW/4 and NW/4 NE/4 of Section 13 all in Township 21 South, Range 37 East.

DOCKET: COMMISSION HEARING - THURSDAY - FEBRUARY 23, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

CASE 6077: (Continued from November 9, 1977, Examiner Hearing)

Application of Bass Enterprises Production Company for a drilling permit in the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Big Eddy Unit Well No. 52 and its Rodke Federal Well No. 3 located, respectively, in Units I and F of Section 27, Township 20 South, Range 31 East, Eddy County, New Mexico, said location being within the boundaries of the Potash-Oil Area as defined by Commission Order No. R-111-A and having been objected to by the owners of potash leases in the area.

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN and FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
P. O. BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

January 13, 1978

Mr. Joe Ramey
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: ARCO Statutory Unitizations & Waterfloods
OCC Cases Nos. 6000, 6070, 5998, 6069
Orders Nos. R-5593, R-5594, R-5592, R-5591

Dear Mr. Ramey:

Please find enclosed for filing an application for rehearing on behalf of Summit Energy Inc. in the above referenced cases.

Very truly yours,



W. Thomas Kellahin

CC: Mr. Paul White
Mr. Clarence Hinkle
Mr. Ken Bateman

WTK:kfm

Enclosure

HAND DELIVERED TO OCC JANUARY 13, 1978

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE HEARING
BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING

CASES NOS. 5998
6000
6069
6070

ORDERS NOS. R-5591
R-5592
R-5593
R-5594

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO

APPLICATION FOR REHEARING

COMES NOW SUMMIT ENERGY, INC. and pursuant to the provisions of Section 65-3-22, New Mexico Statutes, Annotated, 1953 Compilation, as amended applies to the Oil Conservation Commission of New Mexico for rehearing of the above captioned Cases and Orders issued pursuant thereto, and in support thereof would show the Commission:

N/2 NW/4 E NW/4 NE

1. Applicant is operator of the Gulf Bunin Lease, N/2 N/2 Section 13, T21S, R37E, NMPM, Lea County, New Mexico and designated as Tract 15 of the proposed Atlantic Richfield Company (ARCO) Unit which is a portion of the acreage made the subject of hearing before the Commission and Orders Nos. R-5591, R-5592, R-5593 and R-5594.

That Summit Energy Inc. appeared at said hearing in opposition to the ARCO application and has been adversely affected by said Commission Orders.

3. The Commission, by its said Orders approved a statutory

Summit: all 4 cases & orders, Tract 15 affected

unitization that is contrary to the "Statutory Unitization Act," Section 65-14-1 and 65-14-21, NMSA, 1953 Compilation, and not supported by substantial evidence in the following particulars:

(a) Section 65-14-7 D:

That the provisions 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, material and equipment contributed to the unit operations is not fair, reasonable and equitable as applied to the Summit Energy owned Tract 15.

(b) Section 65-14-6 (1):

That the inclusion of Tract 15 within the unitized area is premature and not reasonably necessary to effectively carry on secondary recovery operations.

(c) Section 65-14-6 (3):

That the estimated additional costs of conducting the secondary operations are unreasonably high.

(d) Section 64-14-6 (4):

That Summit Energy Inc. will not benefit from said unitization as provided by statute.

(e) Contrary to the Commission's findings, the substantial evidence showed that secondary recovery operations for Tract 15 are premature.

(f) Contrary to the Commission's Finding No. (6), the substantial evidence showed that Tract 15 could be excluded from the unitized area without damage to said unit.

(g) Contrary to Commission Finding No. (7) the substantial evidence showed that Tract 15 will suffer waste.

4. That the Commission's Orders violate the correlative rights of Summit Energy Inc., will cause physical waste, are arbitrary, capricious, not supported by substantial evidence and are therefore unlawful, invalid and void.

5. That contrary to law, the Commission's order fails in every respect to disclose the reasoning of the Commission in reaching the ultimate conclusions (6) through (16) of the said order.

6. That the Statutory Unitization Act is unconstitutional.

WHEREFORE Applicant prays that the Commission grant a re-hearing in the above cause, and that after re-hearing as provided by law, the Commission vacate and set aside its Orders Nos. R-5591, R-5592- R-5593 and R-5594 and enter its order deleting Tract 15 from said unit and waterflood project.

Respectfully submitted,

KELLAHIN & FOX

By 
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Summit Energy Inc.

Other Tom Kellahin, Ken Bateman, H. L. Kendrick

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5998
Order No. R-5592-A

CASE NO. 6000
Order No. R-5591-A

CASE NO. 6069
Order No. R-5593-A

CASE NO. 6070
Order No. R-5594-A

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR TWO STATUTORY UNITIZATIONS
AND TWO WATERFLOOD PROJECTS, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

This cause came on for consideration for a rehearing upon the petition of J. R. Cone and Summit Energy Inc.

NOW, on this 20th day of January, 1978, the Commission, a quorum being present, having considered the petitions for rehearing,

FINDS:

(1) That Order No. R-5591 was entered in Case No. 6000, Order No. R-5592 in Case No. 5998, Order No. R-5593 in Case No. 6069, and Order No. R-5594 in Case No. 6070, all on December 27, 1977.

(2) That petitions for rehearing in Cases Nos. 5998, 6000, 6069, and 6070 were received by the Commission from the above-named parties within the time prescribed by law.

(3) That a rehearing should be held on Case No. 5998, Order No. R-5592; Case No. 6000, Order No. R-5591; Case No. 6069, Order No. R-5593; and Case No. 6070, Order No. R-5594, at 9 o'clock a.m. on February 21, 1978, in the Oil Conservation

-2-

Case No. 5998
Order No. R-5592-A

Case No. 6000
Order No. R-5591-A

Case No. 6069
Order No. R-5593-A

Case No. 6070
Order No. R-5594-A

Commission Conference Room, State Land Office Building, Santa Fe, New Mexico, to permit all interested parties to appear and present evidence on the issues raised in the petitions for rehearing

PROVIDED HOWEVER,

That the evidence presented at said rehearing should be limited to evidence relating to the unitization of and waterflood operations on, Tract No. 13 and Tract No. 15 of the East Blinbry Unit Area and the East Drinkard Unit Area.

IT IS THEREFORE ORDERED:

That Cases Nos. 5998, 6000, 6069, and 6070 be reopened and a rehearing of same be held at 9 o'clock a.m. on February 21, 1978, in the Oil Conservation Commission Conference Room, State Land Office Building, Santa Fe, New Mexico, at which time and place all interested parties may appear.

IT IS FURTHER ORDERED:

That the evidence at said rehearing shall be limited to evidence relating to the unitization of and waterflood operations on, Tract No. 13 and Tract No. 15 of the East Blinbry Unit Area and the East Drinkard Unit Area.

IT IS FURTHER ORDERED:

That Commission Orders Nos. R-5591, R-5592, R-5593, and R-5594 shall remain in full force and effect until further Order of the Commission.

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 6069
Order No. R-5593-B

CASE NO. 6070
Order No. R-5594-B

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR TWO STATUTORY UNITIZATIONS,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

This cause came on for consideration for a rehearing upon
the petition of Texaco, Inc.

NOW, on this 24th day of January, 1978, the Commission,
a quorum being present, having considered the petitions for
rehearing:

FINDS:

(1) That Order No. R-5593 was entered in Case No. 6069 and
Order No. R-5594 in Case No. 6070, both on December 27, 1977.

(2) That petition for rehearing in Cases Nos. 6069 and
6070 was received by the Commission from the above-named party
within the time prescribed by law.

(3) That a rehearing should be held on Case No. 6069, Order
No. R-5593, and Case No. 6070, Order No. R-5594, at 9 o'clock a.m.
on February 21, 1978, in the Oil Conservation Commission
Conference Room, State Land Office Building, Santa Fe, New Mexico,
to permit all interested parties to appear and present evidence
on the issues raised in the petition for rehearing.

PROVIDED HOWEVER,

That the evidence presented at said rehearing should be
limited to evidence relating to the unitization of Tract No. 13
of the East Blinebry Unit Area and the East Drinkard Unit Area.

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Case No. 6069
Order No. R-5593-B

Case No. 6070
Order No. R-5594-B

IT IS THEREFORE ORDERED:

That Cases Nos. 6069 and 6070 be reopened and a rehearing of same be held at 9 o'clock a.m. on February 21, 1978, in the Oil Conservation Commission Conference Room, State Land Office Building, Santa Fe, New Mexico, at which time and place all interested parties may appear.

IT IS FURTHER ORDERED:

That the evidence at said rehearing shall be limited to evidence relating to the unitization of Tract No. 13 of the East Blinebry Unit Area and the East Drinkard Unit Area.

IT IS FURTHER ORDERED:

That Commission Orders Nos. R-5593 and R-5594 shall remain in full force and effect until further Order of the Commission.

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

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BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE HEARING
BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING

CASES NOS. 5998
6000
6069
6070
ORDERS NOS. R-5591
R-5592
R-5593
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APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO

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COMES NOW SUMMIT ENERGY, INC. and pursuant to the provisions of Section 65-3-22, New Mexico Statutes, Annotated, 1953 Compilation, as amended applies to the Oil Conservation Commission of New Mexico for rehearing of the above captioned Cases and Orders issued pursuant thereto, and in support thereof would show the Commission:

1. Applicant is operator of the Gulf Bunin Lease, N/2 N/2 Section 13, T21S, R37E, NMPM, Lea County, New Mexico and designated as Tract 15 of the proposed Atlantic Richfield Company (ARCO) Unit which is a portion of the acreage made the subject of hearing before the Commission and Orders Nos. R-5591, R-5592, R-5593 and R-5594.

That Summit Energy Inc. appeared at said hearing in opposition to the ARCO application and has been adversely affected by said Commission Orders.

3. The Commission, by its said Orders approved a statutory

unitization that is contrary to the "Statutory Unitization Act," Section 65-14-1 and 65-14-21, NMSA, 1953 Compilation, and not supported by substantial evidence in the following particulars:

(a) Section 65-14-7 D:

That the provisions 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, material and equipment contributed to the unit operations is not fair, reasonable and equitable as applied to the Summit Energy owned Tract 15.

(b) Section 65-14-6 (1):

That the inclusion of Tract 15 within the unitized area is premature and not reasonably necessary to effectively carry on secondary recovery operations.

(c) Section 65-14-6 (3):

That the estimated additional costs of conducting the secondary operations are unreasonably high.

(d) Section 64-14-6 (4):

That Summit Energy Inc. will not benefit from said unitization as provided by statute.

(e) Contrary to the Commission's findings, the substantial evidence showed that secondary recovery operations for Tract 15 are premature.

(f) Contrary to the Commission's Finding No. (6), the substantial evidence showed that Tract 15 could be excluded from the unitized area without damage to said unit.

(g) Contrary to Commission Finding No. (7) the substantial evidence showed that Tract 15 will suffer waste.

4. That the Commission's Orders violate the correlative rights of Summit Energy Inc., will cause physical waste, are arbitrary, capricious, not supported by substantial evidence and are therefore unlawful, invalid and void.

5. That contrary to law, the Commission's order fails in every respect to disclose the reasoning of the Commission in reaching the ultimate conclusions (6) through (16) of the said order.

6. That the Statutory Unitization Act is unconstitutional.

WHEREFORE Applicant prays that the Commission grant a re-hearing in the above cause, and that after re-hearing as provided by law, the Commission vacate and set aside its Orders Nos. R-5591, R-5592- R-5593 and R-5594 and enter its order deleting Tract 15 from said unit and waterflood project.

Respectfully submitted,

KELLAHIN & FOX

By 
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Summit Energy Inc.

Other Clarence Hinkle, Ken Bateman, H. L. Kendrick

Dockets Nos. 9-78 and 11-78 are tentatively set for hearing on March 8 and March 22, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - FEBRUARY 21, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6149: Application of The Permian Corporation for amendment of Order No. R-5208, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5208 which, as amended by R-5208-A, authorizes salt water disposal into the Delaware formation thru applicant's State CS Well No. 1 located in Unit L of Section 17, Township 21 South, Range 27 East, Eddy County, New Mexico, with a maximum wellhead surface pressure of 600 psi. Applicant seeks to have the aforesaid pressure limitation increased or removed.

CASE 6069 and 6070: (Rehearing)

Application of Atlantic Richfield Company for two statutory unitizations, Lea County, New Mexico. Upon application of Texaco Inc., there will be a rehearing of Cases Nos. 6069 and 6070, Orders Nos. R-5593 and R-5594. These cases involve statutory unitization of the East Blinbry and East Drinkard Unit Area in Township 21 South, Range 37 East, Lea County, New Mexico. Pursuant to Commission Order No. R-5593-B and R-5594-B, evidence at said rehearing shall be limited to evidence relating to the unitization of the following tract in said unit areas:

Tract No. 13 comprising the SW/4 of Section 14, Township 21 South, Range 37 East.

CASE 5998, 6000, 6069, and 6070: (Rehearing)

Application of Atlantic Richfield Company for two statutory unitizations and two waterflood projects, Lea County, New Mexico. Upon application of J. R. Cone and Summit Energy Inc., there will be a rehearing of Cases Nos. 5998, 6000, 6069, and 6070, Orders Nos. R-5592, R-5591, R-5593, and R-5594. These cases involve statutory unitization of the East Blinbry and East Drinkard Unit Areas in Township 21 South, Range 37 East, Lea County, New Mexico, and waterflood operations thereon. Pursuant to Commission Order No. R-5592-A, R-5591-A, R-5593-A, and R-5594-A, evidence at said rehearing shall be limited to evidence relating to unitization of and waterflood operations on the following tracts in said unit areas:

Tract No. 13 comprising the SW/4 of Section 14 and Tract No. 15 comprising the N/2 NW/4 and NW/4 NE/4 of Section 13 all in Township 21 South, Range 37 East.

DOCKET: COMMISSION HEARING - THURSDAY - FEBRUARY 23, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

CASE 6077: (Continued from November 9, 1977, Examiner Hearing)

Application of Bass Enterprises Production Company for a drilling permit in the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Big Eddy Unit Well No. 52 and its Rodke Federal Well No. 3 located, respectively, in Units I and F of Section 27, Township 20 South, Range 31 East, Eddy County, New Mexico, said location being within the boundaries of the Potash-Oil Area as defined by Commission Order No. R-1111-A and having been objected to by the owners of potash leases in the area.

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

JAN 18 1973

IN THE MATTER OF THE HEARING
BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING

CASES NOS. 5998
6000
6069
6070
ORDER NOS. R-5591
R-5592
R-5593
R-5594

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.

APPLICATION FOR REHEARING

COMES NOW J. R. CONE and pursuant to the provisions of
Section 65-3-22, New Mexico Statutes, Annotated, 1953 Compil-
ation, as amended applies to the Oil Conservation Commission
of New Mexico for rehearing of the above captioned Cases and
Orders issued pursuant thereto, and in support thereof would
show the Commission:

1. Applicant is operator of the Eubanks Lease, SW/4
Section 14, T21S, R37E, NMPM, Lea County, New Mexico and desig-
nated as Tract 13 of the proposed Atlantic Richfield Company
(ARCO) Unit which is a portion of the acreage made the subject
of hearing before the Commission and above referenced Orders.

2. That J. R. Cone appeared at said hearing in opposition
to the ARCO application and has been adversely affected by
Commission Orders Nos. R-5591, R-5592, R-5593 and R-5594.

3. The Commission, by its Orders Nos. R-5593 and R-5594,
approved a statutory unitization that is contrary to the "Statu-
tory Unitization Act," Section 65-14-1 and 65-14-21, NMSA, 1953
Compilation, and not supported by substantial evidence in

Cone: all four cases Tract 13 affected

the following particulars:

- (a) Section 65-14-7 D:
That the provisions 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, material and equipment contributed to the unit operations is not fair, reasonable and equitable as applied to the J. R. Cone owned Tract 13.
- (b) Section 65-14-6 (1):
That the inclusion of Tract 13 within the unitized area is premature and not reasonably necessary to effectively carry on secondary recovery operations.
- (c) Section 65-14-6 (3):
That the estimated additional costs of conducting the secondary operations are unreasonably high.
- (d) Section 64-14-6 (4):
That J. R. Cone will not benefit from said unitization as provided by statute.
- (e) Contrary to the Commission's findings, the substantial evidence showed that secondary recovery operations for Tract 13 are premature.
- (f) Contrary to the Commission's Findings No. (6), the substantial evidence showed that Tract 13 could be excluded from the unitized area without damage to said unit.
- (g) Contrary to Commission Finding No. (7) the substantial evidence showed that Tract 13 will suffer waste.

4. That the Commission Orders violate the correlative rights of J. R. Cone; cause waste; exceed the Commission's statutory authority; attempt to adjudicate a matter within the exclusive jurisdiction of the Federal Power Commission; are arbitrary and capricious, in the following particulars:

- (a) That ARCO seeks to unitize the Blinbry and Drinkard formations in Tract 13;
- (b) That J. R. Cone operates Wells No. 2, 3 and 4 on Tract 13 that currently produce from or are capable of producing from nonunitized Abo and Tubb formations.
- (c) That the Tubb gas produced from the Eubanks No. 2 is currently being purchased under contract with El Paso Natural Gas Company and is dedicated to interstate commerce.

- (d) That the Tubb gas has been commingled in the well bore with gas produced from the Blinebry formation by previous order of the Commission.
- (e) That it is impossible to now separate the Blinebry and Tubb production without causing waste to one or both zones of production.
- (f) That if said wells 2, 3 and 4 are committed to the proposed Unit as required by Commission Orders Nos. R-5594 and R-5593; J. R. Cone and the other owners thereof will be faced with either the loss of recoverable and producing Tubb gas reserves of the operation by two operators of different character and interest of separate formations in one bore hole.
- (g) The commitment of Wells 2, 3, and 4 of Tract 13 to the unit as required by Commission Orders Nos. R-5593 and R-5594 will result in the loss of oil and gas reserves represented by these nonunitized reservoirs having a present net value of \$1,335,216.00.
- (h) That if in order to retain the Tubb gas production, J. R. Cone elects not to commit Wells 2, 3, and 4 of Tract 13 to the ARCO unit, then under the unit agreement as approved by Commission Orders Nos. R-5593 and R-5594 the working interest owners of Tract 13 would be assessed the unreasonable sum of \$200,000.00 in addition to any costs of unit development and operation, for the drilling of each replacement well for the unit.

5. As applied to Tract 13 of the proposed units and waterflood projects there is a complete lack of substantial evidence in the record to support the findings in said orders.

6. As applied to Tract 13 of the proposed units and waterflood projects, the Commission Orders will cause waste and violate the correlative rights of J. R. Cone.

7. As applied to Tract 13 of the proposed Units and waterflood projects, the Commission Orders are arbitrary, capricious and discriminatory.

8. That contrary to law, the Commission's Order fails in any respect to disclose the reasoning of the Commission in reaching the ultimate conclusions (6) through (16) of the said Orders.

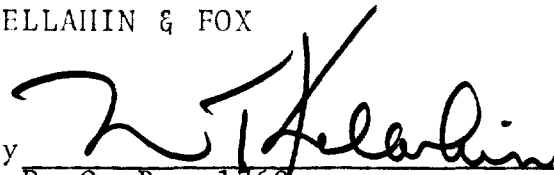
9. The application of the Statutory Unitization Act to Tract 13 will result in an unconstitutional taking, without just compensation, of the current Tubb gas and the future Abo oil production in the Wells 2, 3 and 4 located in Tract 13 of the proposed unit.

WHEREFORE Applicant prays that the Commission grant a rehearing in the above cause, and that after rehearing as provided by law, the Commission vacate and set aside its Orders Nos. R-5591, R-5592, R-5593 and R-5594 and enter its order deleting Tract 13 from said unit and waterflood project.

Respectfully submitted,

KELLAHIN & FOX

By


P. O. Box 1769
Santa Fe, New Mexico 87501

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TELEPHONE 982-4315
AREA CODE 505

January 13, 1978

Mr. Joe Ramey
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: ARCO Statutory Unitizations and Waterfloods
OCC Cases Nos. 6069, 6000, 6070 and 5998
Orders Nos. R-5591, R-5592, R-5593 and R-5594

Dear Mr. Ramey:

Please find enclosed an application for rehearing on
behalf of J. R. Cone in the above referenced cases.

Very truly yours,



W. Thomas Kellahin

CC: J. R. Cone
John Byers
Clarence Hinkle
Ken Bateman

WTK:kfm

Enclosure

HAND DELIVERED January 13, 1978