



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501



DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
January 25, 1978

STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Kenneth Bateman
White, Koch, Kelly & McCarthy
Attorneys at Law
P. O. Box 787
Santa Fe, New Mexico

Re: CASE NO. 6069, 6070
ORDER NO. R-5593-B, R-5594-B

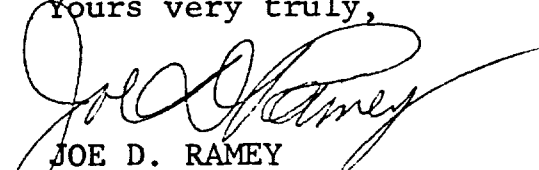
Applicant:

(Texaco Inc.) Rehearing
Atlantic Richfield Company

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other Clarence Hinkle, Tom Kellahin, H. L. Kendrick, Bob
Malaise



United States Department of the Interior

GEOLOGICAL SURVEY

6070
6069

June 15, 1978

Atlantic Richfield Company
Attention: Mr. Tom Furtwangler
P. O. Box 1610
Midland, Texas 79702

Gentlemen:

Your letter of May 24, 1978 requests modification of Section 23 of the unit agreements for the East Blinbry and East Drinkard units, Lea County, New Mexico. Such request seeks to extend the expiration date in which each unit may become effective. Both units were designated by this office on January 21, 1977.

Existing circumstances beyond your control have prevented timely finalization of the East Blinbry and East Drinkard unit agreements under the New Mexico Statutory Unitization Act. You now desire to extend the ipso facto date of Section 23 of both agreements to July 1, 1980 in order to allow for final disposition of possible court appeals and still retain viable agreements which can be finalized. Accordingly, your May 24, 1978 request is hereby approved and Section 23 of both the East Blinbry and East Drinkard unit agreements are modified to allow for finalization on or before July 1, 1980.

Inasmuch as these unit agreements involve fee lands, we are sending a copy of this letter to the New Mexico Oil Conservation Commission in Santa Fe, New Mexico.

Sincerely yours,

CHAS. E. HARRIS

CHAS
Regional Conservation Manager
For the Director

cc:
NMOCC, Santa Fe

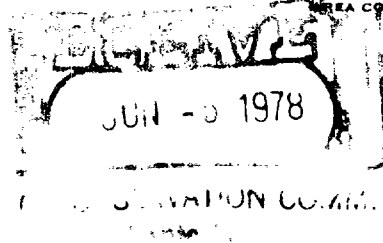
1111
This copy for

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

June 2, 1978

TELEPHONE 982-4215
AREA CODE 505



Mr. Clarence Hinkle
Attorney at Law
P. O. Box 10
Roswell, New Mexico 88201

Re: East Blinebry/East Brinkard Units
NMOCC Cases 5998, 6000, 6069, 6070

Dear Mr. Hinkle:

I am writing you concerning the above referenced statutory unitization and waterflood cases now pending decision by the Oil Conservation Division.

Over the last several months I have received copies of various letters between ARCO and Cone and others and it now appears that the parties are not going to be able to reach a settlement of this matter. We will await the Oil Conservation Division's decision on the rehearing.

With regards to that pending order, I have been informed that certain ARCO field personnel believe that they may commence implimentation of the first Division Order entered in this case despite the fact that the Division granted the Rehearing.

You and I both know that it is a matter of Hornbook Law that when a rehearing is granted, the status of the case is the same as though no hearing had occurred and the original order is suspended from the date of the filing of the petition adopted by the Division. See 2 AmJur 2d Sec 538.

Accordingly, I would appreciate you checking with ARCO personnel to insure that there is no misunderstanding about the first orders entered in these cases.

Very truly yours,

W. Thomas Kellahin

CC: Mr. Joe Ramey
Mr. J. R. Cone
Mr. John Byers
Summit Energy, Inc.

WTK:kfm



May 10, 1978

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

Re: East Blinebry/East Drinkard Units

Dear Mr. Cone:

In reply to your letter dated April 19, 1978, subject as above, Atlantic Richfield Company, as Unit expeditor would object to the elimination of Tract No. 13 from the Unit area under the terms set out in your letter. Your intent to form a cooperative development with the Unit was proposed to the working interest owners at a meeting on March 30, 1978. This meeting was called at your request and was attended by a combined working interest participation of 93%. At this meeting, Texaco made the motion that a ballot be taken concerning the elimination of Tract 13 from the Unit boundary. The ballot was taken and the results are as follows:

Motion: Leave Tract 13 out of the present Unit boundary and form a cooperative waterflood agreement.

<u>Yes</u>	<u>No</u>	<u>Pass</u>	<u>Total</u>
10.1%	80.1%	2.6%	92.8%

Our objections continue to be consistent with the feelings expressed by the majority of owners at the working interest owners' meeting held on March 30, 1978; first, elimination of Tract No. 13 would require resign-up of working interest owners and royalty owners, new Unit and Unit Operating Agreements, new hearings, resubmittal of Unit boundary designation to the United States Geological Survey for approval, and a probable update of parameter tables and recalculation of equities, etc., which would amount to starting from scratch on an unitization effort which has already been drawn out over a ten-year period and currently has the approval of over 90% of the working interest owners participation.

If the Unit had to be reformed at this time, there is an inherent risk involved that it would never be put together. All indications are that the second time around would be just as difficult and that the negotiations of a mutually acceptable lease line injection agreement would be no more easier than Unit negotiations have been. In addition to the risks involved, a lengthy time delay would cost the operators money and the Unit a possible loss in future reserves.

Mr. J. R. Cone
May 10, 1978
Page 2

After the meeting on March 30, 1978, a meeting was held with the United States Geological Survey in Roswell, New Mexico. The United States Geological Survey recommends a Unit boundary which includes Tract Nos. 13 and 15. At the present time we have had no correspondence with Summit Energy concerning the proposed units.

The majority of the working interest owners have been contacted and they concur with the operator's and the USGS's recommendation for the reasons stated above.

Very truly yours,

A handwritten signature in dark ink, appearing to read "J. L. Tweed". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

J. L. Tweed

RMM/agp

cc: Working Interest Owners
East Blinbry/East Drinkard Units

United States Geological Survey
Roswell, New Mexico

Oil Conservation Division of the
New Mexico Department of
Energy and Minerals
Santa Fe, New Mexico

J. R. CONE
1423 NORTH AVENUE P
P. O. BOX 871
LUBBOCK, TEXAS 79408

May 10, 1978

Atlantic Richfield, Inc.
P. O. Box 1610
Midland, TX 79701
ATTN: Mr. Jerry Tweed

Mr. John C. Byers
Byers Engineering Co.
P. O. Box 6308
Lubbock, TX 79413

Kellahin & Fox
Attorneys at Law
P. O. Box 1769
Santa Fe, NM 87501

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

Texaco, Inc.
P. O. Box 3109
Midland, TX 79701

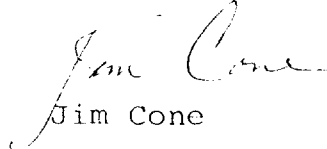
RE: East Blinebry-Drinkard Unit

Gentlemen:

We are transmitting for your files a copy of a letter we received from Summit Energy, Inc. concerning the East Blinebry-Drinkard Unit proposal by Atlantic Richfield, Inc.

If any further information is required, please let us know.

Very truly yours,


Jim Cone

ta

Enclosure

May 9, 1978

Summit Energy, Inc.

112 North First
Artesia, New Mexico 88210

Mr. J.R. Cone
1423 North Avenue P
P.O. Box 871
Lubbock, Texas 79408

Attn: Mr. John Byers

Re: East Blinebry-Drinkard Unit
Lea County, New Mexico

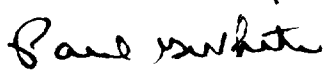
Dear Mr. Byers:

As per our telephone conversation, Summit Energy, Inc., would approve of a plan which left Tract 15 (Summit Energy, Inc., Gulf Bunin lease), out of the unit proposed by Atlantic Richfield, Inc..

We would co-operate by converting the proper producing wells to injection wells and operate them according to standards set up by the unit operator.

Providing proper lease line co-operation was initiated by offset operators, Summit Energy, Inc., would proceed with development of their responsibilities.

Sincerely,



Paul G. White
Vice President-Production

PGW/gb

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631



March 20, 1978

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

Re: East Blinebry/East Drinkard Units
Proposed Amendment
Article 11 - Wellbore Provision
Unit Operating Agreements

Dear Mr. Ramey:

As a result of a meeting with the working interest owners in Tract 13, East Blinebry/Drinkard Units, we request the suggested amendment to Section 11.1 of the Operating Agreements be withdrawn from consideration by the Commission. The Tract 13 owners have indicated that this amendment would not satisfy their objections.

Very truly yours,

J. L. Tweed

RMM/agp

Attachment: Minutes of Working Interest
Owners Meeting - Tract 13.



March 16, 1978

WORKING INTEREST OWNERS
East Blinebry/East Drinkard Units

Re: East Blinebry/East Drinkard Units
Proposed Amendment
Article 11 - Wellbore Provision
Unit Operating Agreements

Gentlemen:

Atlantic Richfield Company, as Unit expeditor of the East Blinebry/East Drinkard Units met today with the Working Interest Owners in Tract No. 13 of the subject units. This meeting was held in Atlantic Richfield Company's office at 10:30 AM. Those in attendance are shown on the attached list.

The purpose of this meeting was to discuss possible means of reducing the impact of the wellbore provision and to discuss the acceptability of the proposed amendment to Section 11.1 as submitted by Atlantic Richfield Company at the NMOCC rehearing of February 21, 1978 in Santa Fe, New Mexico.

A summary of the meeting results are listed as follows:

- 1) Mr. J. L. Tweed, Atlantic Richfield Company, began by stating the purpose of the meeting. Mr. R. M. Malaise reviewed the status of Tubb Gas development within the Unit area. Currently there are eight Tubb gas wells producing. Five of these wells have alternate wellbores and three do not have alternates. Mr. Malaise pointed out all three wells without alternate wellbores were on the west boundary of the proposed units. One of these wells is the J. R. Cone - Eubanks No. 2. Mr. Malaise indicated that this well was currently commingled as a Tubb Gas and Blinebry well.
- 2) Mr. Malaise reviewed the wellbore provision under Article 11.1 of both agreements as it applied specifically to Tract No. 13. A copy of the suggested amendment to Section 11.1 of each Operating Agreement was handed out to those present (copy attached). Mr. Malaise discussed the substance of the amendment

in detail. He summarized the benefits of the amendment as it applied to Tract No. 13:

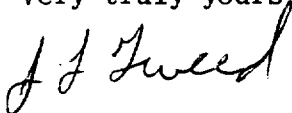
- a) A Tubb Gas well will be drilled at the choice of the Tract Operator which would allow remaining Tubb reserves to be drained from the entire 160-acre Eubanks Tract.
- b) In drilling a new Tubb well within the scope of the amendment, the Unit would assume all risks and costs involved in reworking the Eubanks No. 2 for Unit operations. Previously, the Cone Tract had objected to being forced to accept the risks of permanent damage in the Tubb Gas Zone (low-pressured gas) if they had to re-work the Eubanks No. 2 to meet Unit requirements.
- 3) Atlantic Richfield Company pointed out that legal advice received since the rehearing would make it impossible to consider recommending the Eubanks No. 2 be allowed to produce as a commingled well in the Tubb and Blinbry after the effective date of unitization. Separate interest in the two zones after unitization would preclude this alternative.
- 4) Represented interests in the J. R. Cone Tract stated their position with regards to the proposed amendment. Basically, they felt that it was a step in the right direction but fell short in protecting their economic interest in the Unit.
- 5) As an alternative proposal, Mr. Cone suggested that the Unit eliminate Tract 13 from the boundary and he would enter into a cooperative waterflood with the Unit. Atlantic Richfield Company indicated that they would consider calling a Working Interest Owners meeting so that Mr. Cone could make his proposal before all of the Working Interest Owners.
- 6) Atlantic Richfield Company pointed out that the elimination of Tract No. 13 would involve writing new agreements, renegotiating the commingling allocation, obtaining USGS approval for the new boundary, etc., all of which would create a substantial delay in unitization and jeopardize

Working Interest Owners
March 16, 1978
Page 3

obtaining the necessary approval to call a new hearing if statutory unitization was necessary. It was pointed out that simply carving out the Cone Tract No. 13 would not eliminate opposition from Summit in Tract No. 15.

In summary, Atlantic Richfield Company suggests that the proposed amendment to Section 11.1 of the Operating Agreements be withdrawn from consideration. A Working Interest Owners meeting is being called to allow Mr. Cone to present his proposal to the owners.

Very truly yours,

A handwritten signature in cursive script, appearing to read "J. L. Tweed".

J. L. Tweed

RMM/agp

ATTENDEES
WORKING INTEREST OWNERS MEETING
3/15/78

East Blinebry/East Drinkard Units
Tract 13

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
Byron H. Greaves	Flag-Redfern Oil Co.	Box 23, Midland
Jack Markham	Self	Lubbock
J. R. Cone	Self	Lubbock
Jim Cone	J. R. Cone	Lubbock
John C. Byers	J. R. Cone	Lubbock
Bob Killins	Texaco	Midland
Morris Todd	Texaco	Midland
Jerry Tweed	A.R.Co.	Midland
Bob Malaise	A.R.Co.	Midland
R. E. Powers	A.R.Co.	Midland

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 location 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.

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79702

Telephone 915 684-0114

David W. Sipperly

District Land Manager

CERTIFIED MAIL

March 21, 1978

Mr. Joe Ramey

New Mexico Oil Conservation Commission

P. O. Box 2088

Santa Fe, New Mexico 87501

Subject: Statutory Unitization
East Blinbry Unit and
East Drinkard Unit
Supplemental Joinder to Unit
Agreement and/or Unit Operating Agreement

Gentlemen:

On February 21, 1978, a rehearing was held in front of the full Commission for the East Blinbry 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 Blinbry Unit and East Drinkard Unit. Enclosed for your reference are copies of the instruments which were placed into evidence at the hearing.

To date, Atlantic Richfield Company has received large positive responses for both Joinders. The following is a tabulation of the response. The percentages are on a combined East Blinbry Unit and East Drinkard Unit basis:

	<u>Signed</u>	<u>Verbally Approved</u>	<u>Total</u>
Phase I - Working Interest	75.09%	12.95%	88.04%
Phase II - Working Interest	69.37%	17.70%	86.07%
Phase I - Royalty Interest	25.64%	--	25.64%
Phase II - Royalty Interest	19.60%	--	19.60%

Based upon the rapid and large response, we anticipate at least 75% approval from both the Royalty Interest Owners and Working Interest Owners for each Unit.

Very truly yours,

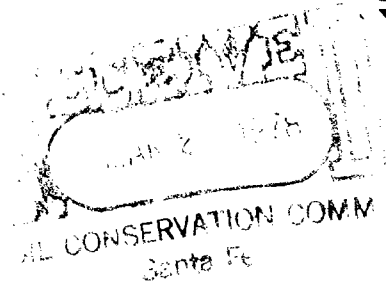
Tom Furtwangler

Tom Furtwangler

Land Department

TF:tm

xc: Jerry Tweed, Richard Powers, Robert Malaise, Midland, Texas





February 17, 1978

To: Royalty Interest Owners and Working Interest Owners
East Blinebry and East Drinkard Units
Lea County, New Mexico

Re: Extension of Effective Dates
East Blinebry and East Drinkard Units
Lea County, New Mexico

We hereby request your approval in extending the expiration date for making each above unit effective to allow time for final disposition of any court appeals which may be filed by certain working interest owners presently contesting the inclusion of their tracts in the statutory unitization proceeding before the New Mexico Oil Conservation Commission.

Section 23 of each Unit Agreement provides that it shall become effective on the first day of the calendar month next following the approval by the Supervisor of the USGS and the Oil Conservation Commission; and further, in the event the agreement does not become effective on or before January 1, 1978, it will expire unless prior thereto working interest owners having 75% or more working interest approve an extension not to exceed six (6) months. By written ballot in October, 1977, the required percentage of working interest owners approved the extension for six months to July 1, 1978. Accordingly, each Unit Agreement and the Unit Operating Agreements will expire unless made effective on or before July 1, 1978.

The Unit Agreements as proposed by Atlantic Richfield Company and ratified by more than 75% of the working interest and royalty interest owners were submitted to the Oil Conservation Commission for approval and to obtain statutory unitization of all interests in a hearing before the Commission on October 20, 1977.

The Commission, on December 27, 1977, ordered unitization of both units in accordance with the Unit Agreements proposed by Atlantic Richfield Company and previously approved by a great majority of all interest owners. Upon motions filed by working interest owners in Tracts 13 and 15 opposing the inclusion of their tracts (J. R. Cone and Texaco, Inc. in Tract 13 and Summit Energy, Inc. in Tract 15), the Commission on January 20, 1978, granted a re-hearing to be held February 21, 1978, before the full Commission in Santa Fe. The Commission's Order for Re-Hearing states that the "evidence presented at said re-hearing should be limited to evidence relating to the unitization of and waterflood operations on, Tract 13 and Tract 15 of the East Blinebry Unit Area and the East Drinkard Area."

By statute, if the protestants are dissatisfied with the Commission's ruling after re-hearing, they have the right to appeal to the District Court of Lea County, New Mexico. After trial and decision by the District Court, the protestants may appeal further to the Supreme Court of New Mexico. Our counsel estimates that if such court actions are filed and appeals are pursued to a conclusion as presently appears probable, the time for final conclusion of the cases may extend late into 1979 and delay placing the units in operation until a date after a final court determination.


While continuing in our efforts to place the units in effect before July 1, 1978, or the earliest date practical, we seek approval from at least 75% of the working interest and royalty interest owners in each unit area to extend the present expiration 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. 5998, 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."

Notwithstanding the delay being threatened by action of the protestants before the New Mexico Oil Conservation Commission, it is our opinion that the projects are still viable, fairly and reasonably protect the interest of all interest owners and will result in a greatly increased recovery of oil by reason of the proposed secondary waterflood operations made possible by the unitization. We earnestly solicit your approval for further extension and for this purpose enclose the following:

1. Six (6) copies of "Supplemental Joinder to Unit Agreement and/or Unit Operating Agreement, East Blinebry Unit, Lea County, New Mexico."
2. Six (6) copies of "Supplemental Joinder to Unit Agreement and/or Unit Operating Agreement, East Drinkard Unit, Lea County, New Mexico."

Please execute, acknowledge and return five (5) copies of each of the forms using the self-addressed and stamped envelope enclosed for your convenience. Your prompt attention to this matter will be appreciated. Please contact us if you have any questions.

Very truly yours,



Tom Furtwangler
Land Department

TF:tm

Enclosures

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 Blinbry 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, _____

J. R. CONE

1423 NORTH AVENUE P
P. O. BOX 871
LUBBOCK, TEXAS 79408

March 14, 1978

RECEIVED
MAR 2 1978
CONSERVATION COMMISSION

Santa Fe

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

Attention: Mr. Joe Ramey

Re: Case 5998, 6000, 6069, & 6070
Rehearing of Atlantic Richfield
Application for East Blinbry &
East Drinkard Unit & Operations

Gentlemen:

By letter dated March 2, 1978, Atlantic Richfield Company requested a meeting with the Working Interest Owners of Tract 13 to the Unit for which the referenced cases were heard. You have a copy of that letter along with the attachments thereto.

The Working Interest Owners of Tract 13 will meet with Atlantic, as requested by their letter.

The proposal set forth in the Atlantic letter referred to above is the same proposal mentioned verbally by Mr. Hinkle during the rehearing before the New Mexico Oil Conservation Commission on February 21, 1978. This proposal is no more acceptable at this time than it was when mentioned at the hearing. In view of this unacceptability, we will make an alternate proposal to Atlantic during our meeting on March 16, 1978.

Through their letter and proposed ammendment to the Unit Operating Agreement for the proposed Unit, Atlantic suggest that a new Tubb gas well be drilled in Tract 13 (Cone et al-Eubanks lease) to replace the Tubb completion in the Eubanks No. 2 well, such that the well can be contributed to the Unit. They further provide in this revision that all cost of drilling, logging, and casing the new well and the reworking of the existing No. 2 well in excess of \$200,000 be borne by the Unit.

We have estimated that the cost of drilling, logging, and casing a new Tubb well to be located in the SW/4,

Section 14, Township 21 South, Range 37 East to a total depth below the base of the Tubb formation (6500'+) will require an expenditure of some \$139,500. The reworking of the Eubanks No. 2 well to squeeze the Tubb formation and effectively open the Drinkard formation will require an expenditure in the order of \$55,000. Therefore, the two operations for which the Atlantic proposal suggest the Unit pay all cost in excess of \$200,000 are expected to require no more than \$194,500. Therefore, the Atlantic proposal does not offer the Working Interest Owners of Tract 13 any relief from the original construction of the Unit Operating Agreement to which we have persistently objected both to Atlantic and before the New Mexico Oil Conservation Commission.

In addition to the indicated expenditure that will be required of the Working Interest Owners of the proposed Tract 13 an additional cost of some \$100,000 will be required of these Owners to complete the new Tubb gas well beyond the point at which Atlantic suggested Unit liability will terminate. Therefore, a cost of some \$294,500 will be required of the Owners of the Eubanks lease, just to protect the rights they already own and are operating efficiently so that Atlantic can obtain the rights to operate that same property.

It is clearly evident from the foregoing that Atlantic's proposal is substantially less than a good faith effort to correct the inequity that their Unit and Unit Operating Agreements impose upon the Owners of the Eubanks lease (Tract 13) to their proposed Unit.

The Working Interest Owners of the Cone et al-Eubanks lease have previously offered to cause the cooperative secondary recovery development of their lease with the proposed Unit (less Tract 13). This offer was made during hearings before the New Mexico Oil Conservation Commission on October 20, 1977, and again during rehearing on February 21, 1978. We will again propose such cooperative effort during our meeting with Atlantic on March 16, 1978.

In accordance with Atlantic's testimony before the New Mexico Oil Conservation Commission on February 21, 1978, they have not instituted negotiations concerning lease line injection well operation agreements with the operators of leases offsetting the proposed Unit along the north, west, and south boundaries of that Unit which represents a perimeter of some six miles. The Owners of the Cone et al-Eubanks lease are ready and willing to

negotiate such an agreement providing for cooperative development of the respective properties.


Through cooperative development of the Eubanks lease with the Unit and assuming that the New Mexico Oil Conservation Commission will continue the authorization of down hole commingled production of Tubb and Blinebry gas, the Owners of the Eubanks lease could continue the exploitation of their Tubb gas reserves, effectively develop the lease for secondary recovery potential reserves from the Blinebry and Drinkard formations, be allowed the practical feasibility of exploitation of their Abo formation reserves and at the same time reduce their cost by more than \$600,000 during the first three years of such operation. A comparative analysis of cost anticipated are set out in the attached tabular form.

In anticipation of development cost used in our analysis, we have taken into consideration such matters as protection of perforations in bore holes opposite the Blinebry gas cap, and protection of all down hole equipment from the severely corrosive nature of the proposed San Andres source of supply water. In our conversation with Atlantic, these factors have not been given serious consideration, at this time. Therefore, we suspect that their cost estimates are substantially low.

The Working Interest Owners of the Eubanks lease have at least equal if not greater experience in the operation of successful secondary recovery projects than that of Atlantic. Therefore, the cooperative development of this area should not anticipate any reduction in the efficiency of the program for secondary recovery in the Blinebry and Drinkard.

We feel quite strongly that if Atlantic and the New Mexico Oil Conservation Commission will give reasonable consideration to the possibility of allowing a cooperative water flood development of this area as between the Cone et al-Eubanks lease and the Unit as proposed with Tract 13 deleted therefrom; the purpose of protection of correlative rights and conservation of natural resources will be served to the maximum extent attainable while allowing the development of secondary recovery reserves, as problematical as they may be, from the Blinebry and Drinkard formations underlying this area.

Yours very truly,


John C. Byers

JCB:bp
Enclosure
cc: Atlantic Richfield Company
Mr. Clarence Hinkle
Mr. Tom Kellahin

CONE ET AL-EUBANKS LEASE
TRACT 13 EAST BLINEBRY-DRINKARD UNIT
LEA COUNTY, NEW MEXICO

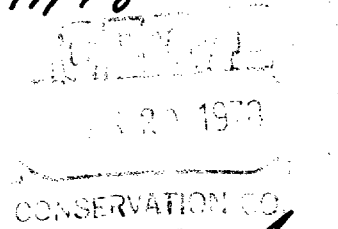
	<u>Cost to Cone et al</u>		
	<u>Atlantic</u>	<u>Cone et al</u>	
1) Operation		Cooperative	Coop Differential Savings
Abandon Tubb Gas Zone in Well No. 2	\$ 55,000	-0-	
Convert Wells No. 1 & 3 to dual water injection	48,630	\$ 68,000	
Work-over producing wells	81,921	30,000	
Water injection system	82,796	76,582	
Centralization of Production facilities	64,984	-0-	
	<hr/>	<hr/>	
Sub total development	\$333,331	\$174,582	\$158,749
Supply new Tubb producing well	\$294,500	-0-	
	<hr/>	<hr/>	<hr/>
Total development	\$627,831	\$174,582	\$453,249
1st 3 year operating expense	\$239,976	\$ 76,608	\$163,368
	<hr/>	<hr/>	<hr/>
Total cost 1st 3 years	\$867,807	\$251,190	\$616,617

NOTE: 1) All cost from 1971 Engineering Committee Report
increased at 7.5% per year for inflation.

From The-Desk Of...

JOHN C. BYERS

3/17/78



For Roney

The words as used
in this proposed amendment
do not grant any relief
to the problem we have had

This for your note

Thanks

JB

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 location 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.

J. R. CONE
1423 NORTH AVENUE P
P. O. BOX 871
LUBBOCK, TEXAS 79408
March 17, 1978

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

Attention: Mr. Joe Ramey

Re: Case 5998, 6000, 6069 & 6070
Atlantic Richfield Application
for East Blinbry & East Drinkard
Unit & Operations

Gentlemen:

This will serve to confirm intentions set out in our letter on the referenced cases dated March 14, 1978.

The Working Interest Owners of the Cone et al-Eubanks lease (Tract 13 to the proposed Unit) met on March 16, 1978, with Atlantic Richfield Company to further discuss conditions under which we could support Atlantic's desire to institute a secondary recovery program in the subject area.

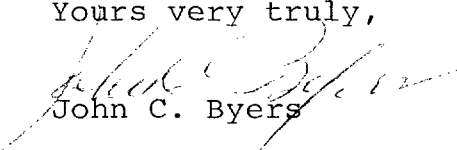
Our position has not changed from that set out in our letter of March 14, 1978, addressed to you.

We offered to enter into negotiations with Atlantic to develop a mutually acceptable agreement to provide for cooperative development of a water flood project for the Blinbry and Drinkard reservoirs underlying this area. Such agreement would provide for cooperative conversion of wells for water injection, the time for such conversion and volumes to be injected as well as pressure of injection.

Atlantic agreed to present this offer to their management, and pending that higher authority approval request to you that such cooperative effort be approved.

We await further advise from Atlantic as to managements decision, after which we will prepare further meetings with them.

Yours very truly,


John C. Byers

JCB:bp
cc: Atlantic Richfield Company
Mr. Clarence Hinkle
Mr. Tom Kellahin
Texaco, Inc., Midland

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 684 0100



March 2, 1978

WORKING INTEREST OWNERS (see attached list)
Tract No. 13
East Blinebry/East Drinkard Units
Lea County, New Mexico
Section 14, T-21S, R-37E

Re: Proposed Amendment
Article 11 - Wellbore Provision
Unit Operating Agreements

Gentlemen:

Referring to our letter of March 1, 1978, above subject, the scheduled meeting for March 9, 1978 is not convenient for all parties; therefore, we are rescheduling this meeting for March 16, 1978, Atlantic Richfield's conference room, Thursday, 10:30 A.M., CST.

Very truly yours,

J. L. Tweed

RMM/agp

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

Mr. Clarence Hinkle
Roswell, New Mexico

Mr. Horace Burton - Dallas Office

Mr. David Sipperly - Midland Office

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 684 0100



March 1, 1978

WORKING INTEREST OWNERS (see attached list)

Tract No. 13
East Blinebry/East Drinkard Units
Lea County, New Mexico
Section 14, T-21S, R-37E

Re: Proposed Amendment
Article 11 - Wellbore Provision
Unit Operating Agreements

Gentlemen:

Atlantic Richfield Company, as Unit expeditor of the East Blinebry/East Drinkard Units, would like to invite the Working Interest Owners, Tract 13, to meet in Atlantic Richfield's conference room, Thursday, March 9, 1978 at 10:30 AM, CST.

The purpose of this meeting would be to discuss possible means of reducing the impact of the wellbore provision and to discuss the acceptability of the proposed amendment to Article 11 as submitted by Atlantic Richfield Company at the recent NMOCC hearing.

If this meeting time will not be convenient, please let me know.

Additional background pertaining to the proposed amendment is listed below and a copy of the proposed amendment is attached.

Within the boundary of the East Blinebry and East Drinkard Units, J. R. Cone operates Tract No. 13 which consists of 160 acres in the SW/4. This tract is operated as the Eubanks lease. The Eubanks No. 2 well is completed in the Tubb (gas) Pool and Blinebry Pool and is down-hole commingled.

Under the present Article 11 of each Unit Operating Agreement, every 40-acre subdivision would have to contribute a useable wellbore for Unit operations. Failing to contributed a wellbore, a maximum charge of \$200,000 would be made against the cost of a new well to be drilled by the Unit. This charge could be paid out of production rather than cash.

Working Interest Owners
Tract No. 13
East Blinebry/East Drinkard Units
March 1, 1978
Page 2

One objection raised with regards to Article 11 concerned a certain amount of risk required of the operator and parties of Tract No. 13 to provide a wellbore for the 40 acres in the NW/4 SW/4 Section 14, T-21S, R-37E. The risk involved having to kill the Eubanks No. 2 so that the Blinebry zone could be squeezed. The Tubb zone is low pressured and could suffer temporary damage by being loaded with a kill fluid.

In order to make Article 11 more palatable, Atlantic Richfield Company, offered a suggested amendment to Section 11.1 of both Operating Agreements (see attached). This suggested change was made at the rehearing in Santa Fe, New Mexico on February 21, 1978, and applied to any gas well producing from the Tubb formation. The amendment provided that the Unit could drill and case a well through the Tubb formation for use of the operator. The location of the well would be at the discretion of the operator who would pay for all costs of drilling up to and including \$200,000; the unit paying all additional drilling costs. The operator would pay for the completion of the new well and the Unit would assume all costs and risks involved with squeezing off the Tubb zone in the contributed wellbore (Eubanks No. 2 in the case of the J. R. Cone Tract No. 13).

Texaco, Inc. suggested that this amendment would take some time to evaluate. The New Mexico Oil Conservation Commission recognized a motion by Texaco and recommended the record on the rehearing remain open for a period of thirty days. Atlantic Richfield Company believes that all of the ramifications of the proposed amendment may best be considered at a meeting of all parties involved.

Very truly yours,



J. L. Tweed

RMM/agp

cc: New Mexico Oil Conservation Commission
Santa Fe, New Mexico
Mr. Clarence Hinkle
Roswell, New Mexico
Mr. Horace Burton, Dallas Office
Mr. David Sipperly, Midland Office

Suggested Amendment to Section 11.1 of Operating Agreement:

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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 location 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.

WORKING INTEREST OWNERS
TRACT 13
East Blinebry/East Drinkard Units
Lea County, New Mexico
Section 14, T-21S, R-37E

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

Jack Markham
Suite 1212
1st National Pioneer Bldg.
1500 Broadway
Lubbock, Texas 79401

J. H. Herd
P. O. Box 130
Midland, Texas 79702

Flag-Redfern Oil Company
Attn: Wayne Greenlee
P. O. Box 1747
Midland, Texas 79702

Texaco, Inc.
Attn: G. F. Clarke
P. O. Box 3109
Midland, Texas 79702



March 1, 1978

WORKING INTEREST OWNERS (see attached list)

Tract No. 13

East Blinebry/East Drinkard Units

Lea County, New Mexico

Section 14, T-21S, R-37E

Re: Proposed Amendment

Article 11 - Wellbore Provision

Unit Operating Agreements

Gentlemen:

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Working Interest Owners
Tract No. 13
East Blinebry/East Drinkard Units
March 1, 1978
Page 2

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Very truly yours,



J. L. Tweed

RMM/agp

cc: New Mexico Oil Conservation Commission
Santa Fe, New Mexico
Mr. Clarence Hinkle
Roswell, New Mexico
Mr. Horace Burton, Dallas Office
Mr. David Sipperly, Midland Office

Suggested Amendment to Section 11.1 of Operating Agreement:

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WORKING INTEREST OWNERS
TRACT 13
East Blinebry/East Drinkard Units
Lea County, New Mexico
Section 14, T-21S, R-37E

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

Jack Markham
Suite 1212
1st National Pioneer Bldg.
1500 Broadway
Lubbock, Texas 79401

J. H. Herd
P. O. Box 130
Midland, Texas 79702

Flag-Redfern Oil Company
Attn: Wayne Greenlee
P. O. Box 1747
Midland, Texas 79702

Texaco, Inc.
Attn: G. F. Clarke
P. O. Box 3109
Midland, Texas 79702



PETROLEUM PRODUCTS

PRODUCING DEPARTMENT
CENTRAL UNITED STATES
MIDLAND DIVISION

TEXACO INC.
P. O. BOX 3109
MIDLAND, TEXAS 79701

February 3, 1978

**EAST BLINEBRY
AND EAST DRINKARD UNITS
LEA COUNTY, NEW MEXICO**

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 reserve 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	58%	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 
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

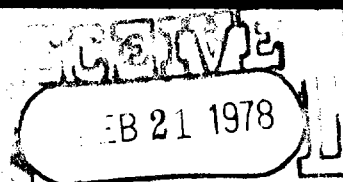
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BOX 7159
ODESSA TX 79760

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2 9153334351 11GM TDRN ODESSA TX 02-20 1106A EST




NEW MEXICO OIL CONSERVATION COMM.

MR JOE RAMEY NEW MEXICO OIL CONSERVATION COMMISSION, FONE
PO BOX 2088
SANTA FE NM 87501

THIS IS A CONFIRMATION COPY OF A PREVIOUSLY PHONE-DELIVERED TELEGRAM

DEAR COMMISSIONER RAMEY
AS A ROYALTY INTEREST OWNER WE STRONGLY ENCOURAGE YOUR COMMISSION TO
APPROVE ARCUS PROPOSED WATERFLOOD IN THE EAST ELINELERRY AND EAST
DRINKARD FIELDS THANK YOU SINCERELY

WILLIAM MICHAEL FURMAN PRESIDENT



1106 EST

11GMCOMP 11GM

FLAG-REDFERN OIL CO CL
1200 WALL TOWERS WEST
MIDLAND TX 79701

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western union



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S156835184 MGN TDBN MIDLAND TX 100 02-20 0338P EST



JOE D RAMEY, DIRECTOR
NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE BLDG
SANTA FE NM 87501

RE REHEARING CASE NUMBERS 5997, 5998, 5999, 6000 FLAG-REDFERN OIL COMPANY, AS A WORKING INTEREST OWNER IN THE J. R. CONE EUBANKS LEASE, SUPPORTS THE J. R. CONE APPLICATION TO SET ASIDE ORDERS NUMBER R-5591, R-5592, R-5593 AND R-5594 AS THEY RELATE TO THE EUBANKS LEASE AND TO DELETE THE EUBANKS LEASE FROM THE UNIT AND WATERFLOOD PROJECT. PROPOSED UNIT PREVENTS ORDERLY AND TIMELY RECOVERY OF OUR RESERVES IN THE TUBB AND ABO HORIZONS

JOHN J REDFERN JR, PRESIDENT
FLAG-REDFERN OIL CO
1200 WALL TOWERS WEST
MIDLAND TX 79701

1540 EST

MGMCOMP MGN

583 153



Getty Oil Company

P.O. Box 1231, Midland, Texas 79702 • Telephone (915) 683-6301

Central Exploration and Production Division A.B. Cary, District Production Manager

February 10, 1978

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

Attention: Mr. Joe D. Ramey

Re: 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

Gentlemen:

Getty Oil Company is a Working Interest Owner in both the East Blinebry and East Drinkard Units, Lea County, New Mexico.

Getty Oil Company hereby desires the record to show that Getty supports the Expeditor, Atlantic Richfield Company, for statutory unitization and waterflood projects for the two units referred to in the captioned Cases.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Audra B. Cary".
Audra B. Cary

OVS:nh

WHITE,
KOCH, KELLY
&
McCARTHY

January 16, 1978

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

re: Application of Atlantic Richfield Company for
Statutory Unitization
Blinebry and Drinkard Production, Lea County,
New Mexico OCC Case Nos. 6069 and 6070
Order Nos. R-5593 and R-5594

Gentlemen:

Enclosed for filing is an application for rehearing on
behalf of Texaco Inc. in the above referenced cases.

Sincerely,


KENNETH BATEMAN

KB/e
Enclosure

cc: Johnston S. Rowe
W. Thomas Kellahin
Clarence Hinkle

RECEIVED
JAN 16 1978
Oil Conservation Commission

L.C. White
Sumner S. Koch
William Booker Kelly
John F. McCarthy, Jr.
Kenneth Bateman
Benjamin Phillips
C. Emery Cuddy, Jr.
Larry C. White
Forrest S. Smith

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING THE APPLICATION
OF ATLANTIC RICHFIELD COMPANY
FOR STATUTORY UNITIZATION
BLINEBRY AND DRINKARD PRODUCTION,
LEA COUNTY, NEW MEXICO:

CASE NOS. 6069 and 6070,
Order Nos. R-5593 and R-5594

APPLICATION FOR REHEARING

COMES NOW Texaco Inc., by its attorneys, White, Koch
Kelly & McCarthy, a party to the cases which are the subject
hereof, and does hereby apply for a rehearing of the decisions
of the Commission entered on December 27, 1977, and as cause
therefor respectfully shows the Commission that its order and
decisions are erroneous in the following respects:

a) The orders fail in every respect to disclose the
reasoning of the Commission in reaching the ultimate conclu-
sions numbered 6 through 16 of the orders. The disclosure of
the basis for the decision of the Commission in its order is
required by law.

b) As applied to Tract 13 of the proposed unit, there
is a complete lack of substantial evidence in the record to
support the findings numbered 6 through 16 in the orders. The
evidence in fact shows, inter alia, that there is no present
need for pressure maintenance or secondary recovery methods,
that both physical and economic waste will result from
the inclusion of Tract 13 within the proposed unit, and that

Texaco Unitization Orders only; tract 13 affected

the correlative rights of Texaco Inc. will be violated, particularly with regard to the loss of the current Tubb gas production and future potential Abo production.

c) 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 Eubanks No. 2, located in Tract 13 of the proposed unit.

d) The Commission lacks jurisdiction to require that the Eubanks No. 2 Tubb gas production be shut in or produced from another well bore, that matter being within the exclusive province of the Federal Power Commission.

e) As applied to Tract 13 of the proposed unit, the orders of the Commission are arbitrary, capricious and discriminatory.

WHEREFORE, the applicant prays that the Commission grant a rehearing of the above cause, and that after rehearing, as provided by law, the Commission vacate and set aside its orders numbered R-5593 and R-5594 and enter its order deleting Tract 13 from said unit.

Respectfully submitted,

WHITE, KOCH, KELLY & MCCARTHY

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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 Elinebry 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 Elinebry 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.