

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

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

November 3, 1989

RECEIVED

NOV 3 1989

OIL CONSERVATION DIVISION

Case 9809

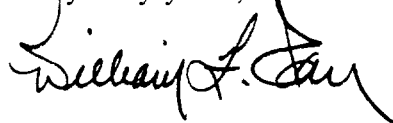
William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Application of Yates Drilling Company for Statutory Unitization, or in the
alternative, a Voluntary Unit Agreement, Chaves County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Yates Drilling Company in the above
referenced matter. This application has been docketed for hearing before a Division
Hearing Examiner as Cases 9809 (Statutory Unitization) and 9823 (Approval of a
Voluntary Unit Agreement).

Very truly yours,



WILLIAM F. CARR

WFC:mtb
Enclosures
cc: Mr. Tobin Rhodes

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

NOV 2 1989

IN THE MATTER OF THE APPLICATION
OF YATES DRILLING COMPANY FOR
STATUTORY UNITIZATION OR, IN
THE ALTERNATIVE, A UNIT AGREEMENT,
CHAVES COUNTY, NEW MEXICO.

OIL CONSERVATION DIVISION

CASE NO. 98-09

APPLICATION

COMES NOW YATES DRILLING COMPANY, pursuant to the provisions of the Statutory Unitization Act (Sections 70-7-1 through 70-7-21, N.M.S.A., 1978 Comp.) and hereby applies to the New Mexico Oil Conservation Division for an order unitizing the Cactus Queen Unit, Chaves County, New Mexico or, in the alternative, approving its Cactus Queen Unit Agreement and in support of its application states:

1. Yates Drilling Company (Yates) is a New Mexico corporation authorized to transact business in the State of New Mexico and is engaged in the business of, among other things, producing and selling oil and gas.
2. The proposed unit area for which this application for statutory unitization is made consists of 560 acres, more or less, of Federal, State and Fee lands located in Chaves County, New Mexico, and is more particularly described on Exhibit A attached hereto and incorporated herein by reference. Yates seeks an order pursuant to the Statutory Unitization Act providing for unitized management, operation and further development of the project area.

3. The vertical limits of the formation to be included within the proposed unit area includes that interval which extends from a point 50 feet above the top of the Queen formation to the base of the Queen formation; said interval occurring in the Doyal No. 1 Well located 660 feet from the North line and 990 feet from the East line of Section 34, Township 12 South, Range 31 East, N.M.P.M., Chaves County, New Mexico, at an indicated depth interval of 2930 feet to 3100 feet, as recorded on the log taken August 7, 1984.

4. The portion of the reservoir involved in this application has been reasonably defined by development.

5. The type of operations being conducted in this Unit is secondary recovery by means of water flooding.

6. Attached to this application as Exhibit B and incorporated herein by reference is a copy of the proposed plan of unitization which Yates considers fair, reasonably and equitable.

7. Attached to this application as Exhibit C and incorporated herein by reference is a copy of the proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid.

8. Yates further states:

- a. Unitized management, operating and further development of the portion of the Queen formation, Southeast Chaves Queen Field, which is the subject of this application, is reasonably necessary in order to

effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil from the unitized area.

- b. Unitized methods of operations applied to this portion of the Southeast Chaves Queen Pool are feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil from the pool than would otherwise be recovered.
- c. The estimated additional costs, if any, of conducting such operations will not exceed the estimated value of additional oil recovered plus reasonable profit.
- d. Unitization and adoption of unitized methods of operation will benefit the working interest owners and the royalty owners of the oil and gas rights within this portion of the pool.
- e. Yates Drilling Company, as operator, has made a good faith effort to secure voluntary unitization of all interests in the pool.
- f. The participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable and equitable basis.

9. In the alternative, Yates Drilling Company seeks an Order approving the Cactus Queen Unit Agreement which covers 320 acres, more or less, of Federal and State

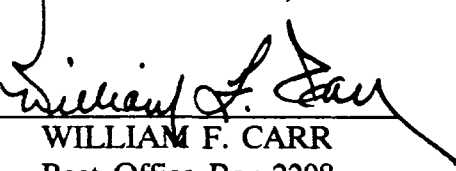
lands in Chaves County, New Mexico, and is more particularly described on Exhibit A attached hereto and incorporated herein by reference. The Cactus Queen Unit Agreement has been approved by all of the working interest owners holding interests within the proposed voluntary Unit Area and Yates Drilling Company has been designated Unit Operator in said Unit Agreement.

10. Statutory unitization of the Cactus Queen Unit Area, Southeast Chaves Queen Field or, in the alternative, approval of the voluntary Cactus Queen Unit Agreement, is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Yates Drilling Company respectfully requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on November 29, 1989, and, that after notice and hearing as required by law and the rules of the Division, the Division enter its order granting this application to statutorily unitize the Cactus Queen Unit, Chaves County, New Mexico or, in the alternative approving the Cactus Queen Unit Agreement.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES
DRILLING COMPANY

EXHIBIT A

**PROPOSED BOUNDARY FOR
STATUTORY UNITIZATION
OF CACTUS QUEEN UNIT
560 ACRES
TOWNSHIP 12 SOUTH, RANGE 31 EAST, N.M.P.M.**

Section 26: SW/4 SW/4
Section 27: SE/4, E/2 SW/4, SW/4 SW/4
Section 34: N/2 NE/4, SE/4 NE/4, N/2 NW/4
Section 35: NW/4 NW/4

**PROPOSED BOUNDARY FOR
VOLUNTARY UNITIZATION
OF CACTUS QUEEN UNIT
320 ACRES
TOWNSHIP 12 SOUTH, RANGE 31 EAST, N.M.P.M.**

Section 27: W/2 SE/4, E/2 SW/4, SW/4 SW/4
Section 34: NW/4 NE/4, N/2 NW/4

Case No.

9809

RECEIVED

NOV 1 1967

REGISTRATION DIVISION

Application of Yates Drilling Company for statutory unitization or, in the alternative, a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the Queen formation, Southwest Chaves Queen Field, underlying 560 acres, more or less, of Federal, State and Fee lands in Unit M (SW/4 SW/4) of Section 26, Units I, J, K, M, N, O, P, (SE/4, E/2 SW/4, SW/4 SW/4) of Section 27, Units A, B, C, D, H, (N/2 NE/4, SE/4 NE/4, N/2 NW/4) of Section 34 and Unit D (NW/4 NW/4) of Section 35, Township 12 South, Range 31 East. Said unit is to be designated the Cactus Queen Unit. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit

operations. Applicant also requests that any such order issued in this case include a provision for carrying any nonconsenting working interest owner maintain the unit area upon such terms and conditions to be determined by the Division as just and reasonable. In the alternative, Applicant seeks approval of the Cactus Queen Unit Area, comprising 320 acres, more or less, of Federal and State lands underlying Units J, K, M, N and O, (W/2 SE/4, E/2 SW/4, SW/4 SW/4) of Section 27, and Units B, C and D (NW/4 NE/4, N/2 NW/4) of Section 34, Township 12 South, Range 31 East. Said Unit Area is centered approximately ____ miles _____ of _____, New Mexico.

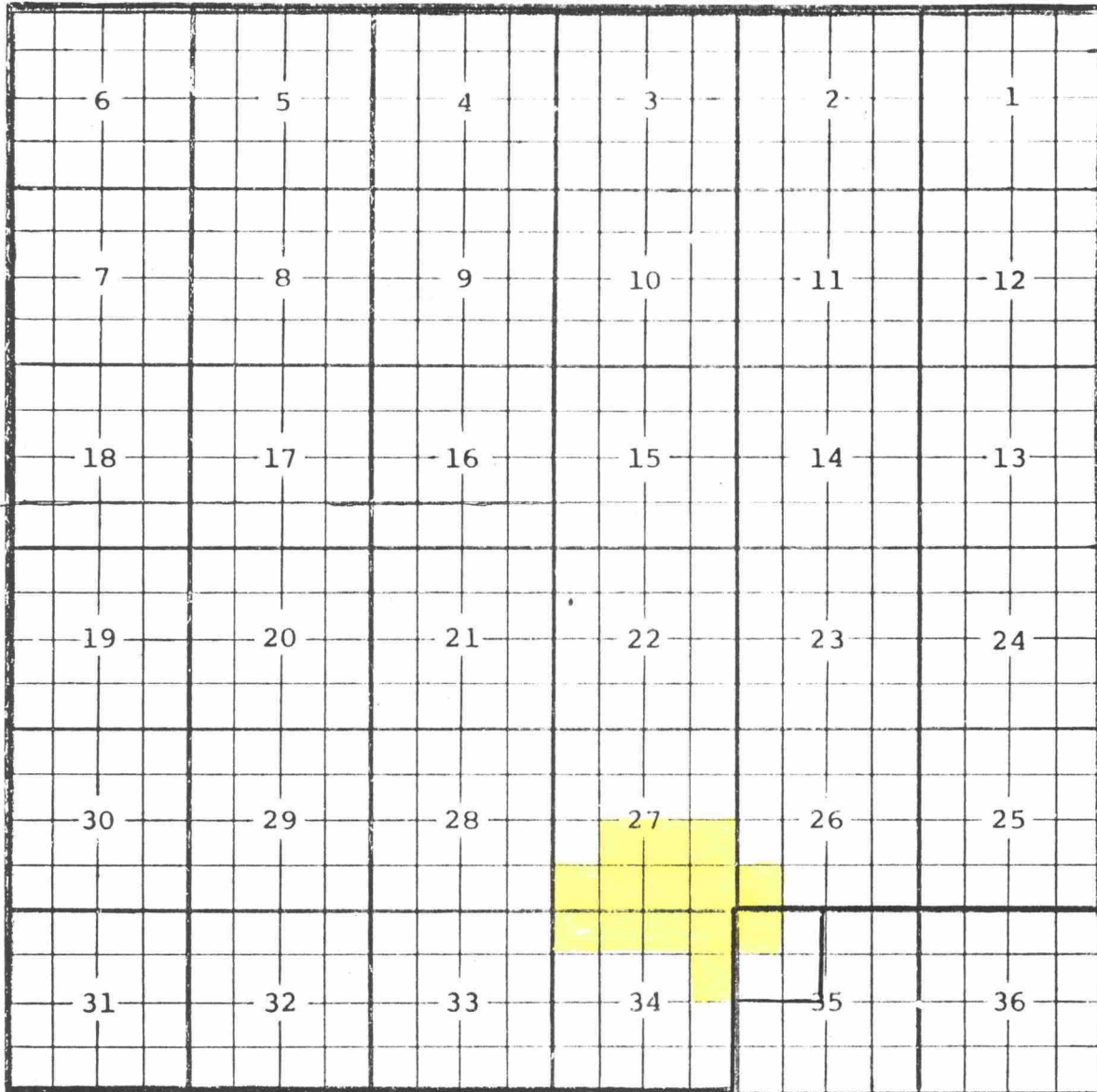
COUNTY *Chaves*

 *Southeast Chaves Queen Gas Area Associated*

TOWNSHIP *12 South*

RANGE *31 East*

NMIM



Description: All Secs 1 thru 34 (R-4435, 12-1-72)

Ext: NW 1/4 Sec. 35 (R-7800, 1-31-85)