

APPLICABLE STATUTORY PROVISIONS:

(a) Section 70-2-33(H) NMSA of the Oil and Gas Act defines Correlative Rights as "...the opportunity afforded, as far as it is practicable to do so, to the owners of each property in a pool to produce without waste his just and equitable share of the oil or gas or both in the pool, being an amount so far as can be practicably determined and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas or both under the property bears to the total recoverable oil or gas or both in the pool and for such purpose, to use his just and equitable share of the reservoir energy;"

(b) Section 70-7-6(B) NMSA of the Statutory Unitization Act states "If the Division determines that the participation formula contained in the unitization agreement does not allocate unitized hydrocarbons on a fair, reasonable and equitable basis, the Division shall determine relative value, from the evidence introduced at the hearing taking into account the separately owned tracts in the unit area, exclusive of physical equipment for development of oil and gas by unit operations, and the production allocated to each tract shall be the proportion that the relative value of each tract so determined bears to the relative value of all tracts in the unit area.

(c) Section 70-7-4 (J) NMSA of the Statutory Unitization Act says "relative value" means the value of each separately owned tract for oil and gas and its contributing value to the unit in relation to like values of other tracts in the unit, taking into account acreage, the quantity of oil and gas recoverable therefrom, location on structure, its probable productivity of oil and gas in the absence of unit operations, the burden of operation to which the tract will or is likely to be subjected, or so many of said factors, or such other pertinent engineering, geological, operating or pricing facts, as may be reasonably susceptible of determination.

(d) Section 70-7-7 NMSA of the Statutory Unitization Act provides that the Division has the authority and obligation to approve or prescribe a plan or unit agreement for unit operation which **shall include:**

"A.area of the pool or part of the pool to be operated as a unit and the vertical limits to be included,..."

"C. an allocation to the separately owned tracts in the unit area of all the oil and gas that is produced from the unit area..."