

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

IN THE MATTER OF THE
HEARING CALLED BY THE OIL
CONSERVATION DIVISION FOR
THE PURPOSE OF
CONSIDERING:

CASE NO. 11742
ORDER NOS. R-3130-A and R-3134-C

APPLICATION OF CROSS TIMBERS OPERATING COMPANY FOR UNIT
EXPANSION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 6, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of March, 1997, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant in this matter, Cross Timbers Operating Company ("Cross Timbers"), is the designated Unit operator of the Southeast Maljamar Grayburg-San Andres Unit, which comprises approximately 1,080 acres, more or less, of State and Federal lands underlying the following described area in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 29: NW/4 NE/4, S/2 NE/4, W/2, and SE/4

Section 30: NE/4, N/2 SE/4, and SE/4 SE/4

Section 32: N/2 NE/4, SE/4 NE/4, and N/2 NW/4

Said Unit was approved by Division Order No. R-3130, issued in Case 3461 and dated October 4, 1966, for the purpose of conducting a waterflood project in the Maljamar Grayburg-San Andres Pool, which was approved by Division Order No. R-3134, issued

in Case 3462 and dated October 14, 1966. The unitized formation is from the top of the Grayburg formation down to and including 100 feet below the top of the San Andres formation.

(3) The Maljamar Grayburg-San Andres Pool within the subject Unit/Waterflood Area is currently governed by the general Statewide Rules and Regulations with development on standard 40-acre spacing and proration units with wells to be located no closer than 330 feet from the boundary of the unitized area nor closer than ten feet from any quarter-quarter section line or subdivision inner boundary.

(4) At this time Cross Timbers seeks to expand the Southeast Maljamar Grayburg-San Andres Unit area to include three additional tracts of State and Federal lands in Township 17 South, Range 33 East, NMPM, Lea County, New Mexico comprising the following described 200 acres, more or less:

(i) Tract No. 11: 40 acres of Federal land (Lease No. NM-010388) comprising the NW/4 NW/4 of Section 33;

(ii) Tract No. 12: 80 acres of Federal land (Lease No. NM-04242) comprising the N/2 SW/4 of Section 33; and,

(iii) Tract No. 13: 80 acres of State land (Lease No. E-00398) comprising the N/2 SE/4 of Section 32.

The Unit area, after expansion, will comprise a total area of 1280 acres (400 acres of Federal land - 31.25% and 880 acres of State land - 68.75%); is further described on Exhibit "A" attached hereto and made a part hereof.

(5) Any order issued in this case extending the boundary of the Southeast Maljamar Grayburg-San Andres Unit will also extend the governing rules of the Unit, as expanded, to the waterflood project in said Unit area.

(6) The only working interest or cost bearing interest owner in the Unit, as expanded, is Cross Timbers, who has ratified the Unit expansion.

(7) The royalty interest owners in the Unit, the Commissioner of Public Lands of the State of New Mexico and the Bureau of Land Management of the United States Department of Interior, have approved the expansion of the Unit.

(8) However, there are numerous overriding royalty interest owners in the three tracts to be added to the Unit. A number of the overriding royalty interest owners have

ratified expansion of the Unit. Those who have not ratified the expansion of the Unit will continue to be paid on a lease basis by the Unit operator.

(9) Due to the differences in overriding royalty ownership in the tracts to be added to the Unit and to assure that correlative rights are being adequately protected, there should be well location restrictions on wells drilled or recompleted in the expanded Unit which offset the three additional Unit tracts.

(10) The applicant presented evidence and testimony which estimates that the existing Unit area should produce 6,116,000 barrels of oil from the Maljamar Grayburg-San Andres Pool, with 58% of the production being secondary oil. It was further estimated that ultimate primary production from the three tracts being added to the Unit area will be 536,000 barrels of oil. If the secondary/primary recovery ratio for the expanded area remains the same as for the existing Unit area, expanding the Unit will allow the recovery of an additional 740,000 barrels of oil.

(11) The original Unit Agreement approved in 1966 by Division Order No. R-3130 is not being amended by the applicant, other than to revise:

(i) Exhibit "A", being a map of the boundary of the Unit Area and the boundaries and identity of tracts and leases within the Unit Area;

(ii) Exhibit "B", being a schedule showing the percentage and type of ownership of oil and gas interests in all land in the Unit Area; and,

(iii) Exhibit "C", being a schedule of the Tract Participation percentages for each tract during Phase I and Phase II.

(12) The Phase II tract participation formula in the Unit Agreement is being used to allocate production among the tracts in the expanded Unit area, and the formula is fair and equitable.

(13) All plans of development and operation, expansions or contractions of participating areas, or expansions or contractions of the Unit area should be submitted to the Director of the Division for approval.

(14) Approval of the Unit Agreement, as amended by the revised Exhibits A, B, and C thereto, should promote the prevention of waste and the protection of correlative

rights within the expanded Unit area.

IT IS THEREFORE ORDERED THAT:

(1) The application of Cross Timbers Operating Company ("Cross Timbers") to expand the Southeast Maljamar Grayburg-San Andres Unit Area (originally approved by Division Order No. R-3130, issued in Case 3461 and dated October 4, 1966, for the purpose of conducting a waterflood project in the Maljamar Grayburg-San Andres Pool, which was approved by Division Order No. R-3134, issued in Case 3462 and dated October 14, 1966) to include three additional tracts of State and Federal lands in Township 17 South, Range 33 East, NMPM, Lea County, New Mexico comprising the following described 200 acres, more or less, is hereby approved:

- (i) Tract No. 11: 40 acres of Federal land (Lease No. NM-010388) comprising the NW/4 NW/4 of Section 33;
- (ii) Tract No. 12: 80 acres of Federal land (Lease No. NM-04242) comprising the N/2 SW/4 of Section 33; and,
- (iii) Tract No. 13: 80 acres of State land (Lease No. E-00398) comprising the N/2 SE/4 of Section 32.

(2) The Unit area, after expansion, will comprise a total area of 1280 acres, 400 acres of Federal land (31.25%) and 880 acres of State land (68.75%), for oil and gas produced from the top of the Grayburg formation to 100 feet below the top of the San Andres formation, and is further described on Exhibit "A" attached hereto and made a part hereof.

(3) The plan contained in the Unit Agreement for the development and operation of the expanded Unit area is hereby approved in principle as a proper conservation measure; provided, however, notwithstanding any of the provisions contained in the Unit Agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the Unit and production of oil and gas therefrom.

IT IS FURTHER ORDERED HOWEVER THAT:

(4) No well may be drilled or recompleted in the Maljamar Grayburg-San Andres Pool within 330 feet of:

(a) the boundary between the original Unit Area (tracts one through ten) and the newly incorporated tracts 11, 12, and 13; or,

(b) the boundary between Unit tracts 12 and 13.

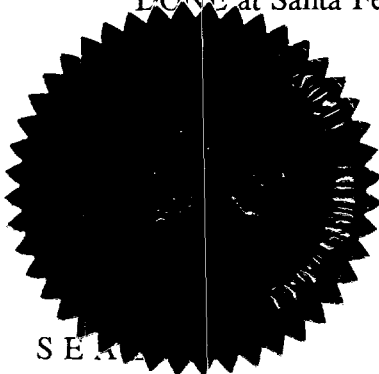
(5) In the event of subsequent joinder by any other party, or expansion or contraction of the Unit Area, the Unit operator shall file with the Division, within 30 days thereafter, counterparts of the Unit Agreement or ratification of same reflecting the subscription of those interests having joined or ratified.

(6) All plans of development and operation, any further expansions or contractions of Unit participating areas and expansions or contractions of the Unit area, shall be submitted to the Director of the Division for approval.

(7) This order shall be effective upon the first of the month following approval by the Commissioner of Public Lands of the State of New Mexico and the appropriate agency of the United States Department of Interior. This order shall terminate upon the termination of said Unit Agreement; and the last Unit operator shall notify the Division immediately in writing of such termination.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

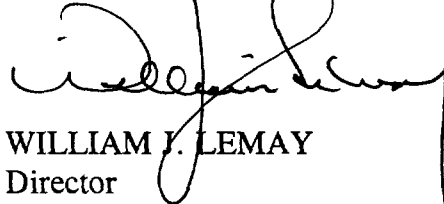

WILLIAM J. LEMAY
Director

EXHIBIT "A"
CASE NO. 11742
ORDER NOS. R-3130-A AND R-3134-C
SOUTHEAST MALJAMAR GRAYBURG-SAN ANDRES UNIT AGREEMENT
CROSS TIMBERS OIL COMPANY
LEA COUNTY, NEW MEXICO

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

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Section 32: N/2 NE/4, SE/4 NE/4, N/2 NW/4, and N/2 SE/4

Section 33: NW/4 NW/4 and N/2 SW/4.