

**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. 12658
ORDERS NO. R-3130-B and R-3134-D**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 17, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 19th of September, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Cross Timbers Oil Company ("Cross Timbers"), is the designated operator of the Southeast Maljamar Grayburg-San Andres Unit ("Unit"), which comprises approximately 1,280 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, N/2 NW/4, and N/2 SE/4

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

(3) The unitized formation is from the top of the Grayburg formation down to 100 feet below the top of the San Andres formation. The Maljamar Grayburg-San Andres Pool within the Unit is governed by the Division Rules 104.B (1) and 104.F (1), with development on standard 40-acre spacing units with wells to be located no closer than 330

feet to the boundary of the unitized area nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(4) The Unit, which originally comprised 1080 acres of State and Federal lands, was approved by Division Order No. R-3130, issued in Case No. 3461 on October 4, 1966, for the purpose of conducting a waterflood project in the Maljamar Grayburg-San Andres Pool. The waterflood project was approved by Division Order No. R-3134, issued in Case No. 3462 on October 14, 1966. The Unit was expanded to its present size by Division Orders No. R-3130-A and R-3134-C, issued in Case No. 11742 on March 31, 1997.

(5) At this time Cross Timbers seeks to expand the Unit to include one additional 40-acre tract of Federal land, Unit Tract No. 14 (Lease No. NM-94189), comprising the SW/4 SE/4 of Section 30, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico. The Unit area, after expansion, will comprise a total area of 1320 acres [440 acres of Federal land (33.33%) and 880 acres of State land (66.67%)], and is further described on Exhibit "A" attached hereto.

(6) 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 the Unit area.

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

(8) 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.

(9) There are seven overriding royalty interest owners in the tract to be added to the Unit, all of whom have ratified expansion of the Unit.

(10) There are numerous overriding royalty interest owners in the three tracts added to the Unit in its first expansion (Case No. 11742). A number of those overriding royalty interest owners did not ratify the first 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

(11) Due to the differences in overriding royalty ownership in the three tracts added to the Unit in its first expansion, Orders No. R-3130-A and R3134-C imposed well location restrictions on wells drilled or recompleted in the expanded Unit that offset Unit Tracts No. 11 through 13. Those restrictions should be retained by this order.

(12) The applicant presented evidence that the existing Unit Area will produce approximately 5,364,000 barrels of oil from the Maljamar Grayburg-San Andres Pool, with 42% of the production being secondary oil. It was further estimated that ultimate primary production from the tract being added to the Unit would be 386,000 barrels of oil. If the ratio of secondary to primary oil recovery from the expanded Unit area remains the same as for the existing Unit Area, expanding the Unit will allow the recovery of an additional 281,000 barrels of oil.

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

(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 II.

(14) 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.

(15) 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.

(16) 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 Oil Company ("Cross Timbers") to expand its Southeast Maljamar Grayburg-San Andres Unit ("Unit") to include a 40-acre tract of Federal land, Unit Tract No. 14 (Lease No. NM-94189) comprising the SW/4 SE/4 of Section 30, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) The Unit area, after this second expansion, will comprise a total area of 1320 acres, being 440 acres of Federal land (33.33%) and 880 acres of State land (66.67%), 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.

(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. 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.

(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 (Unit Tracts No. 1 through 10) and Unit Tracts No. 11, 12, and 13;
or

(b) the boundary between Unit Tracts No. 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 day 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.

Case No. 12658

Orders No. R-3130-B and R-3134-D

Page 5

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenberg
LORI WROTENBERG
Director