

Casa No.

897

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
May 1st, 1955

IN THE MATTER OF:

CASE NO. 896-827 Consolidated

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 12, 1955

IN THE MATTER OF:

The application of M.S.B.L. Company for approval of a non-standard proration unit.

Applicant in the above-styled cause, seeks an order approving the creation of a 100-acre non-standard gas proration unit in exception to Rule 6(A) of the Special Rules and Regulations for the Fulcher-Kutz-Pictured Cliffs Gas Pool, as set forth in Order R-565, said unit to consist of the following described acreage to be dedicated to applicant's Montano No. 1 Well located in SE/4 SW/4 of Section 28, Township 30 North, Range 12 West, San Juan County, New Mexico:

Case No. 896

SE/4 SW/4 of Section 28, NW/4 NW/4 of Section 33, and 20 acres in NE/4 NW/4 of Section 33 lying northwest of a diagonal line between the northeast corner of the NE/4 NW/4 and the southwest corner of the NE/4 NW/4. said diagonal line running in a northeast-southwest direction, dividing the NE/4 NW/4 in half; all the above-described acreage being in Township 30 North, Range 12 West, San Juan County, New Mexico.

The application of the M.S.B.W Company for approval of a non-standard proration unit.

Applicant, in the above-styled cause, seeks an order approving the creation of a 140-acre non-standard gas proration unit in exception to Rule 6(A) of the Special Rules and Regulations for the Fulcher Kutz-Pictured Cliffs Gas Pool, as set forth in Order R-565, said unit to consist of the following described acreage to be dedicated to applicant's No. 2 Hargis Well located in NW/4 SE/4 of Section 33, Township 30 North, Range 12 West, San Juan County, New Mexico:

Case No. 897

(Consolidated)

NW/4 SE/4, NE/4 SW/4, SE/4 NW/4, and 20 acres in the NE/4 NW/4 lying southeast of a diagonal line between the northeast corner of the NE/4 NW/4 and the southwest corner of

the NE/4 NW/4, said diagonal line running
in a northeast-southwest direction, divid-
ing the NE/4 NW/4 in half, all the above-
described acreage being in Township 30
North, Range 12 West, San Juan County,
New Mexico.

BEFORE:

Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next cases on the docket are Cases 896 and
897. Mr. Mattix?

MR. MATTIX: That, briefly, is an application for unorthodox
application to the following land of M. S. B. W. Company, who is the
operator, and consisting of the NW/4 SE/4, NE/4 SW/4 SE/4 NW/4, and
20 acres in the NE/4 NW/4 lying southeast of a diagonal line be-
tween the northeast corner of the NE/4 NW/4 and the southwest
corner of the NE/4 NW/4, said diagonal line running in a northeast-
southwest direction, dividing the NE/4 NW/4 in half, all the above-
described acreage being in Township 30 North, Range 12 West, San
Juan County, New Mexico, and the above described land being 140 acres,
more or less.

The Hargis No. 2 Well was drilled on that tract and the royalty
has been paid on the basis of that acreage to Mr. Hargis, since
about 1946, I believe, when the well was completed. It was completed
August 20, 1946 and connected to the Southern Union Gas pipeline in
September of 1946.

The other allocation is known as the Montano No. 1, located in
the Fulcher Kutz-Pictured Cliffs Pool, consisting of the SE/4 SW/4
of Section 28, NW/4 NW/4 of Section 33, and 20 acres in NE/4 NW/4

of Section 33 lying northwest of a diagonal line between the northeast corner of the NE/4 NW/4 and the southwest corner of the NE/4 SE/4, said diagonal line running in a northeast-southwest direction to the place of beginning. Said lands being in Section 33, Township 30 North, Range 12 West, San Juan County, New Mexico.

That M.S.B.W Montano No. 1 Well was drilled 1,660 feet east of the west line and 330 feet north of the south line of Section 28, Township 30 North, Range 12 West, completed November 20, 1946. This well was connected to the Southern Union Gas Company's line in March, 1947, and at that time special requirements in the Fulcher Kutz-Pictured Cliffs Pool recommended 40 acres to a drilling tract. However, we have paid Mr. Montano, until the time he sold the lease to a different party, royalty in the Montano No. 1 well on that land.

MR. MACEY: Do you have any questions you wish to ask of Mr. Mattix in Cases 896 and 897?

I have a letter from Three States Natural Gas Company, which they ask to be read into the record. "May 11, 1955. Mr. W. B. Macey, Secretary, New Mexico Oil Conservation Commission, Santa Fe, New Mexico. Re: Case No. 897 - Application of M.S. B. W. Company for approval of a 140-acre non-standard gas proration unit in the Fulcher Kutz-Pictured Cliffs Gas Pool to be dedicated to applicant's No. 2 Hargis Well.

Dear Mr. Macey:

The above styled Case No. 897 has been set for hearing on the Commission Docket of May 18, 1955. As offset operator, we request that the following statement be read into the record of Case No. 897:

"Three States Natural Gas Company operates the J. J. Hudson Well

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No. 1, SE/4 SE/4 Section 33, T-20N, R-12E, which lease directly offsets applicant's No. 2 Hargis well. As offset operator, we request that the Commission deny the application of U.S.R.C. Company for a 140-acre gas proration unit dedicated to their No. 2 Hargis well. Our only objection to the application is the inclusion of 20-acres in NE/4 NW/4 lying southeast of a diagonal line running in a NE-SW direction. Our reasons for this objection are:

1. The 20-acres in the NE/4 NW/4 of Section 33 which applicant seeks to dedicate to its No. 2 Hargis well is nearer to and more likely to be drained by applicant's Montano Well No. 1. Since applicant seeks to include the NW 20 acres of the NE/4 NW/4 in a non-standard gas proration unit for its Montano Well No. 1, reference Case No. 896, they have, by inference, agreed that the formation is continuously permeable between the two wells, and either well is capable of draining the area. Therefore, it would seem more logical and equitable to dedicate the entire NE/4 NW/4 to the nearest well, applicant's Montano Well No. 1.
2. Many other operators in the Fulcher Kutz-Pictured Cliffs field have formed non-standard gas proration units following the established precedent of dedicating acreage in increments of 40-acre governmental subdivisions when dedication by diagonal, hexagonal, or other irregular division might have been to their benefit. This precedent and the equities already established thereunder should not be changed.

For the reasons set out above, Three States Natural Gas Company recommends that the New Mexico Oil Conservation Commission deny the application of the M. S. S. L. Company for a 140-acre non-standard gas proration unit to be dedicated to their No. 2 Hargis Well." The statement is signed by Three States Natural Gas Company, J. A. Jenkins.

Mr. Mattix, as I understand, the question involved the acreage in Case 897, to be dedicated to your Hargis Well, is all under one basic lease, is that correct?

MR. MATTIX: That is correct.

MR. MACEY: In order for you to dedicate the 20 acres in the northwest quarter to the Montano Well, you would have to enter into a unitization agreement?

MR. MATTIX: Yes.

MR. MACEY: Could you tell us what the productive capabilities of the two wells are? Are they very big wells?

MR. MATTIX: No, they are small wells. Well, there are six wells in there and in 1954, why we produced at ten cents per thousand, the six wells produced \$11,000.00, so it don't amount to very much. A million and a half, but not over two million a month at any time.

MR. RHODES: For your information the Montano has a deliverability of 64 MCF and the Hargis has a deliverability of 146.

MR. MATTIX: The Hargis No. 2?

MR. RHODES: Yes.

MR. HARGIS: They haven't been able to put out anything like that because they have been bucking high pressure.

MR. RHODES: Both wells are carried on the proration schedule

as marginal wells.

MR. JACBY: Then the dedication of acreage didn't have any effect, did it? Does anyone have anything further in these cases? If not we will take the cases under advisement.

STATE OF NEW MEXICO)
 : SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 25th day of May, 1955.


Notary Public, Court Reporter

My Commission Expires:
June 19, 1955

Hargis No 2.

Robert L. Maddox

OPERATOR

NATURAL GAS

P. O. BOX 182

AZTEC, NEW MEXICO

DIAL FE 4-6385

April 6, 1955

Oil Conservation Commission
State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

The M. S. B. W. Company, through its representative Robert L. Maddox, hereby submits application for a hearing to consider the establishment of a non-standard gas proration unit for its No. 2 Hargis well, located in the Fulcher-Kutz Pictured Cliffs Pool, consisting of the Southeast Quarter of the Northwest Quarter ($SE\frac{1}{4}NW\frac{1}{4}$) and the Northeast Quarter of the Southwest Quarter ($NE\frac{1}{4}SW\frac{1}{4}$) and the Northwest Quarter of the Southeast Quarter ($NW\frac{1}{4}SE\frac{1}{4}$) and the Southeast Half of the Northeast Quarter of the Northwest Quarter ($SE\frac{1}{2}NE\frac{1}{4}NW\frac{1}{4}$), more particularly described as follows:

BEGINNING at the Northeast corner of the Northeast Quarter of the Northwest Quarter ($NE\frac{1}{4}NW\frac{1}{4}$)
THENCE South to the Southeast corner of said forty-acre tract,
THENCE West to the Southwest corner;
THENCE diagonal in direct line to the Northeast corner to place of beginning.
The above-described lands being 140 acres more or less.
All in Section 33, Township 30 North, Range 12 West, N.M.P.M., San Juan County, New Mexico.

The applicant hereby states that the M. S. B. W. Company No. 2 Hargis well was drilled 2310 feet North of the South line and 2170 feet West of the East line of said Section 33, Township 30 North, Range 12 West, N.M.P.M., and was completed August 20, 1946 and connected to the Southern Union Gas Company pipe line in September, 1946. At that time spacing requirements in the Fulcher-Kutz Pictured Cliffs Pool specified a minimum of 40 acres to a drilling tract. Subsequent Order R-565 Rule 6 (a) requires that 160 acres in the form of a square (being a quarter section) be designated as the proration unit for each Pictured Cliffs Formation well in the Fulcher-Kutz Pool.

Applicant hereby requests hearing to secure exception to the above-named rule.

Page 2 - Application for Hearing - OCC 4/6/55

It is the applicant's desire that this hearing be set for the regular scheduled hearing of May 18, 1955.

Respectfully submitted,

Robert L. Maddox

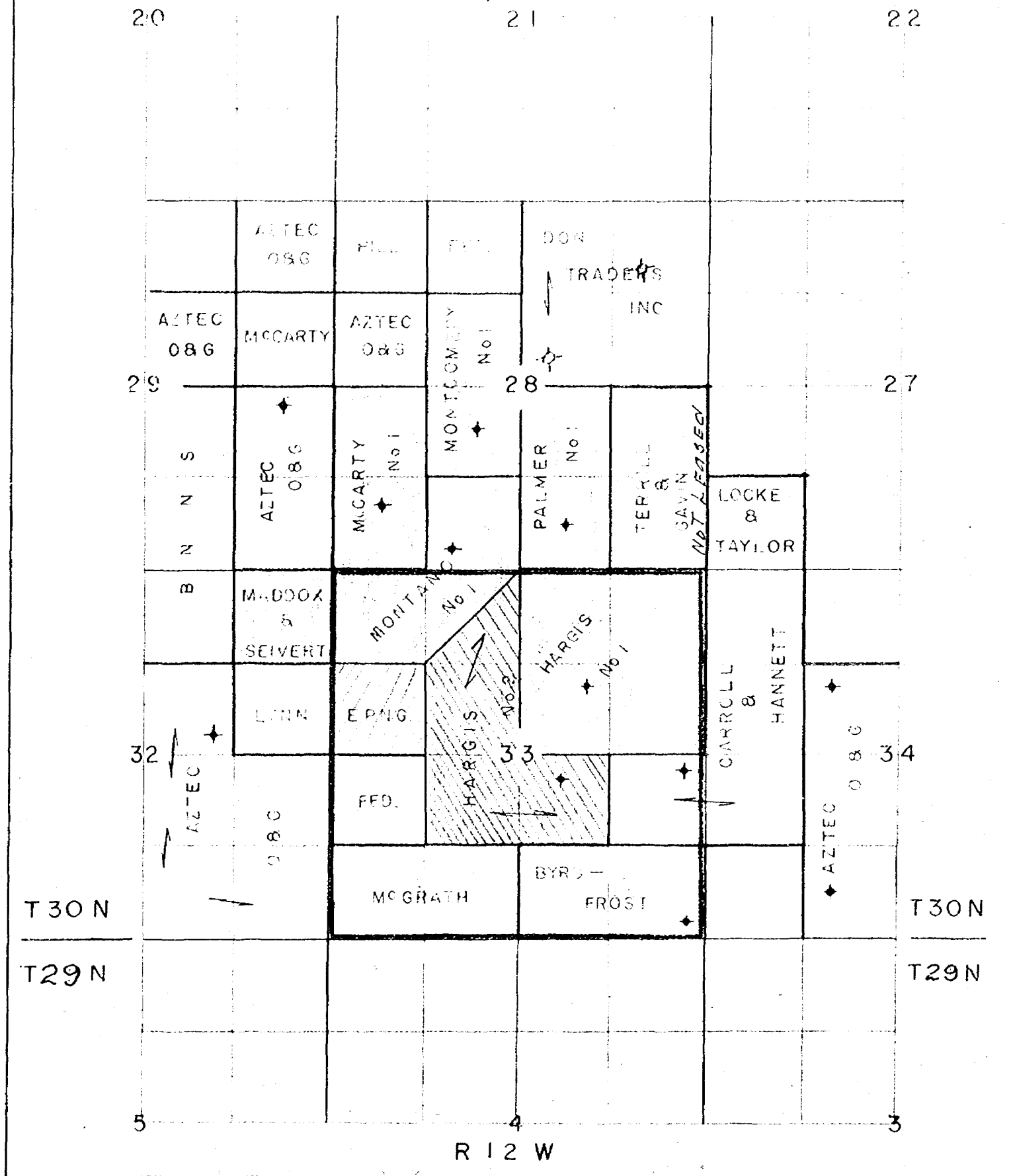
M. S. B. W. Company

By R. L. Maddox, Operator

RLM/lb

M. S. B. W. Co.

Robert L. Maddox
- Operator -



OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

June 22, 1955

C
O
P
Y

Mr. Robert L. Maddox
P.O. Box 182
Astec, New Mexico

Dear Mr. Maddox:

We enclose a copy of Order R-654 issued on June 20, 1955, by the Oil Conservation Commission in Case 897, which was heard at the May 18th hearing upon application of the M. S. B. W. Company.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:brp
Enclosure

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 897
Order No. E-554

THE APPLICATION OF THE M. S. B. W.
COMPANY FOR AN ORDER GRANTING
APPROVAL OF AN EXCEPTION PURSUANT
TO RULE 6 (a) OF THE SPECIAL RULES
AND REGULATIONS FOR THE FULCHER
KUTZ-PICTURED CLIFFS GAS POOL OF
ORDER NO. R-565, AND THE ESTABLISHMENT
OF A 140-ACRE UNORTHODOX GAS PRORATION
UNIT CONSISTING OF SE/4 NW/4, NE/4 SW/4,
NW/4 SE/4 AND THE SE/2 NE/4 NW/4 OF
SECTION 33, TOWNSHIP 30 NORTH, RANGE 12
WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 18, 1955, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 20th day of June, 1955, the Commission, a quorum being present and having considered the records and testimony adduced and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That pursuant to the provisions of Rule 6 (a) of the Special Rules and Regulations for the Fulcher Kutz-Pictured Cliffs Gas Pool of Order No. R-565, the Commission has power and authority to permit the formation of a gas proration unit consisting of other than a legal quarter section after notice and hearing by the Commission.

(3) That applicant, M. S. B. W. Company, is the owner of an oil and gas lease in San Juan County, New Mexico, the land consisting of other than a legal section and described as follows:

TOWNSHIP 30 NORTH, RANGE 12 WEST, NMPM
SE/4 NW/4, NE/4 SW/4, NW/4 SE/4,
and SE/2 NE/4 NW/4 of Section 33

containing 140 acres, more or less.

(4) That applicant, M. S. B. W. Company, has a producing gas well on the aforesaid lease known as the Hargis Well No. 2, located 2310 feet FSL and 2170 feet FEL of Section 33, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico.

(5) That the aforesaid well is located within the horizontal limits of the Fulcher Kutz-Pictured Cliffs Gas Pool, as delineated and designated by Order No. R-565.

(6) That unless a proration unit consisting of applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover its just and equitable share of natural gas in the Fulcher Kutz-Pictured Cliffs Gas Pool.

(7) That the creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of the M. S. B. W. Company for approval of a 140-acre non-standard gas proration unit consisting of the following described acreage:

TOWNSHIP 30 NORTH, RANGE 12 WEST, NMPH
SE/4 NW/4, NE/4 SW/4, NW/4 SE/4, and
SE/2 NE/4 NW/4 of Section 33

be and the same hereby is approved and a proration unit consisting of the aforesaid acreage is hereby created.

(2) That applicant's well, Hargis Well No. 2, located in the NW/4 of the SE/4 of Section 33, Township 30 North, Range 12 West, NMPH, San Juan County, New Mexico, shall be granted an allowable in proportion that the above described 140-acre unit bears to the standard or orthodox unit for said Pool, all until further order of the Commission.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary

/brp

June 1, 1955

C
O
El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas

Attention: Mr. R. L. Hamblin

D
Dear Mr. Hamblin:

Reference is made to your telegram and letter of May 26, 1955, in which you set out your objection to the application of M.S.B.W. Company in Case 897, in which applicant requested approval of a 140-acre non-standard gas proration unit in the Fulcher Kutz-Pictured Cliffs Gas Pool.

V
Please be advised that this Case was duly advertised and appeared on the docket for the May 18th hearing by this Commission. It would appear that the proper time for objection to the formation of this unit would have been at the time the Case was heard and at which time the El Paso Natural Gas Company had considerable representation. Further, this Commission cannot see how the formation of this unit would deprive the El Paso Natural Gas Company and other working interest owners in Section 33 of the right to drill and develop property. For your information, our records indicate that the following acreage has not been dedicated to any gas unit and should drilling prove productivity of this acreage, a unit consisting of it could be approved administratively. This 160-acre unit is as follows:

Township 30 North, Range 12 West, NMPM
SW/4 NW/4, W/2 SW/4, SE/4 SW/4 of
Section 33.

-2-

June 1, 1935

C Since this Case has already been heard and been taken under advisement by the Commission, and in view of the aforementioned facts, I regret to inform you that this Commission is unable to recognize your objection.

O If in the future such a situation should catch your personnel unprepared, I feel that it would be in line for a postponement to be requested.

P Very truly yours,

C. M. Rieder
District Engineer

P
Y
CMR:jh

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above, or preceding the address.

WESTERN UNION

EX-1201

(39)..

W. P. MARSHALL, PRESIDENT

SYMBOLS

DL=Day Letter
NL=Night Letter
LT=Int'l Letter Telegram
VLT=Int'l Victory Ltr.

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

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L EPA148 PD=WUX EL PASO TEX 26 1117AMM=

WILLIAM B MACEY=

OIL CONSERVATION COMMISSION BOX 871 SANTA FE NMEX=

EL PASO NATURAL GAS COMPANY HEREBY OBJECTS TO APPROVAL
OF NON STANDARD GAS PRO RATION UNIT OF M.S.B.W. COMPANY
IN CASE NO 897 OF MAY HEARING. LETTER FOLLOWS=

R L HAMBLIN EL PASO NATURAL GAS CO==

M.S.B.W. 897 REPT M.S.B.W. =NS FROM ITS PATRONS CONCERNING ITS SERVICE

El Paso Natural Gas Company

El Paso, Texas

May 26, 1955

Mr. William B. Macey,
Secretary and Director
Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Mr. Macey:

It has just come to our attention that at the May hearing of the New Mexico Oil Conservation Commission, the M.S.B.W. Company, in Case No. 897, made an application for the approval of a 140-acre non-standard gas proration unit in the Fulcher Kutz Pictured Cliffs gas pool, to be dedicated to applicant's Hargis #2 well. Their proposed non-standard gas proration unit would include the NW/4 SE/4, the NE/4 SW/4, the SE/4 NW/4, and the SE/2 NE/4 NW/4 of Section 33, Township 30 North, Range 12 West.

El Paso Natural Gas Company has the oil and gas lease upon the SW/4 NW/4 of this same Section 33. Our assignment has been recorded in the records of San Juan County, New Mexico, on page 24 of book 108. We were not notified by the M.S.B.W. Company of their application for non-standard gas proration unit. We were not aware of their application for this non-standard gas proration unit until it came up at the May hearing.

Our oil and gas lease has an early expiration date and we were considering drilling a Pictured Cliffs well in the NW/4 of Section 33. If this non-standard gas proration unit is approved, it will cut 60 acres off any allowable which might be granted to our well or any future well drilled in the NW/4 of Section 33. The granting of such an unorthodox proration unit would definitely affect El Paso Natural Gas Company and the remaining working interest owners in the NW/4 of Section 33.

There is no Pictured Cliffs well in the NW/4 of Section 33 at the present time and it is only logical to assume that one should be drilled and should have allocated to it as a proration unit the entire NW/4. Therefore, we object to the granting of this non-standard gas proration unit and do not feel that such request

Page 2

Mr. William B. Macey

May 26, 1955

by the M.S.B.W. Company should be granted inasmuch as no Pictured Cliffs well has been drilled in the NW/4 of Section 33 and that such a non-standard gas proration unit, if granted, would definitely affect the drilling of any Pictured Cliffs well in the NW/4 of Section 33 by the working interest owners in said quarter section.

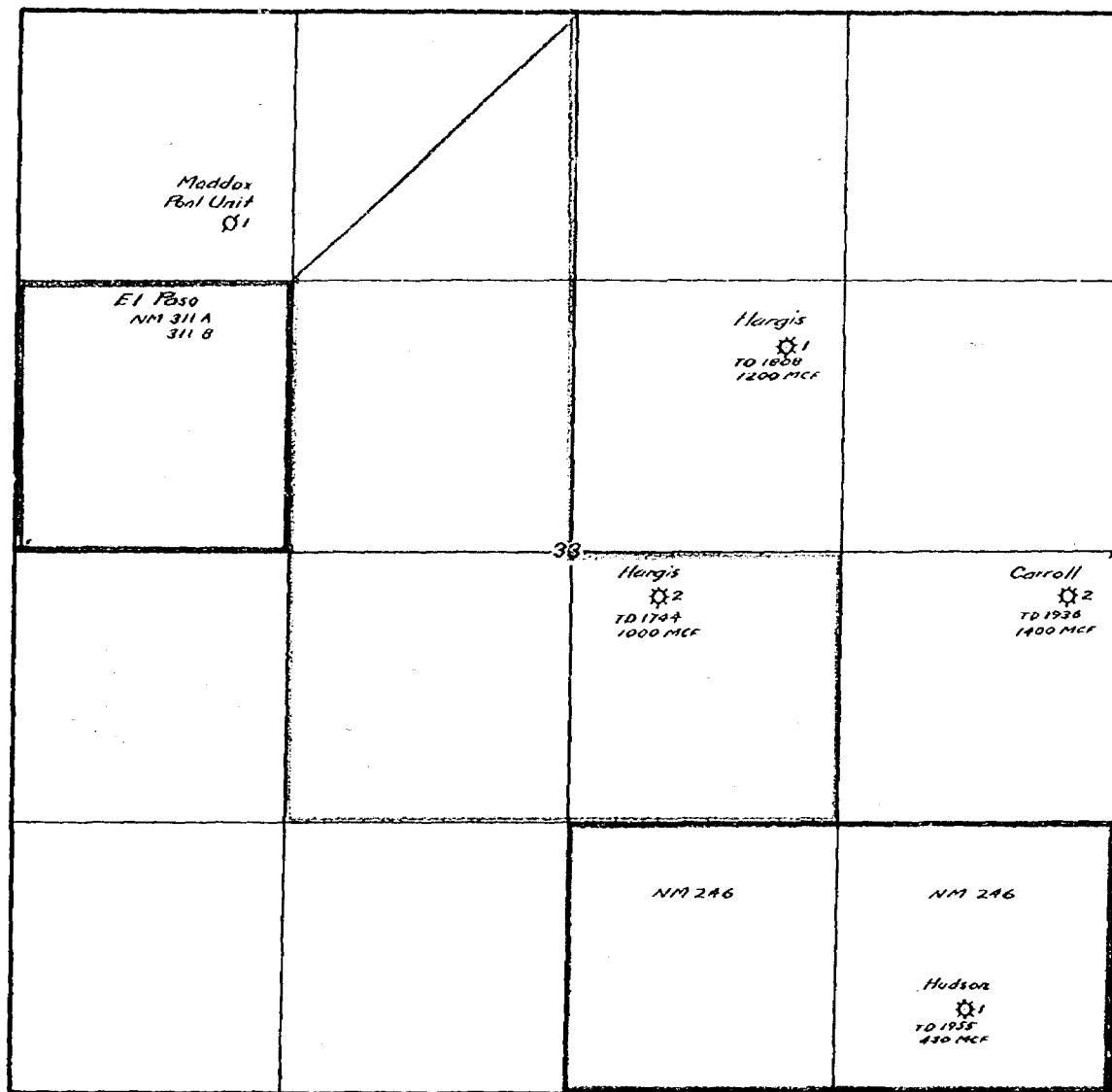
Yours very truly,

EL PASO NATURAL GAS COMPANY

By R. L. Hamblin
R. L. Hamblin, Manager
Lease Department

RLH:ms

R 12 W



Proposed Non-Standard Gas Poration Unit.



El Paso Natural Gas Co. Acreage.

April 6, 1955

Oil Conservation Commission
State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

The M. S. B. W. Company, through its representatives Robert L. Maddox, hereby submits application for a hearing to consider the establishment of a non-standard gas proration unit for its No. 2 Hargis well, located in the Fulcher-Kutz Pictured Cliffs Pool, consisting of the Southeast Quarter of the Northwest Quarter ($SE\frac{1}{4}NW\frac{1}{4}$) and the Northeast Quarter of the Southwest Quarter ($NE\frac{1}{4}ASW\frac{1}{4}$) and the Northwest Quarter of the Southeast Quarter ($NW\frac{1}{4}SE\frac{1}{4}$) and the Southeast Half of the Northeast Quarter of the Northwest Quarter ($SE\frac{1}{2}NE\frac{1}{4}NW\frac{1}{4}$), more particularly described as follows:

BEGINNING at the Northeast corner of the Northeast Quarter of the Northwest Quarter ($NE\frac{1}{4}NW\frac{1}{4}$)

THENCE South to the Southeast corner of said forty-acre tract,

THENCE West to the Southwest corner;

THENCE diagonal in direct line to the Northeast corner to place of beginning.

The above-described lands being 140 acres more or less,

All in Section 33, Township 30 North, Range 12 West,

N.M.P.M., San Juan County, New Mexico.

The applicant hereby states that the M. S. B. W. Company No. 2 Hargis well was drilled 2310 feet North of the South line and 2170 feet West of the East line of said Section 33, Township 30 North, Range 12 West, N.M.P.M., and was completed August 20, 1946 and connected to the Southern Union Gas Company pipe line in September, 1946. At that time spacing requirements in the Fulcher-Kutz Pictured Cliffs Pool specified a minimum of 40 acres to a drilling tract. Subsequent Order R-565 Rule 6 (a) requires that 160 acres in the form of a square (being a quarter section) be designated as the proration unit for each Pictured Cliffs Formation well in the Fulcher-Kutz Pool.

Applicant hereby requests hearing to secure exception to the above-named rule.

It is the applicant's desire that this hearing be set for the regular scheduled hearing of May 18, 1955.

Respectfully submitted,

M. S. B. W. Company
By R. L. Maddox, Operator

The above mentioned Platt is on file in the OCC office in Santa Fe, New Mexico.

In the matter of the application
of M. S. B. W. Company for
approval of a new Standard
Oil Company Unit.

Agreement, made heretofore by
said parties, and the said
Cause seeks a court order approving
the creation of a 140 acre new
standard gas production unit in
exception to Rule 6a of the
Special Rules and Regulations
for the Frontier Butte District
Cliff Lake Pool, as set forth
in Order R-565, said unit
to consist of the following described
acreage to be dedicated to
applicants' No. 2 Hargis well
located in the NW/4 SE/4 of
Section 33, Township 30 North,
Range 12 West, San Juan County,
New Mexico: NE/4 SE/4,
NE/4 SW/4, SE/4 NW/4, and
20 acres in the NE/4 NW/4
lying southeast of a diagonal
line between the northeast
corner of the NE/4 NW/4 and
the southwest corner of the NE/4 NW/4,
said diagonal line running in a
northeast-southwest direction
dividing the NE/4 NW/4 in half,
all the above described acreage
being in Township 30 North,
Range 12 West, San Juan County,
New Mexico.

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